UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation Nos.:
PRESTRESSED CONCRETE STEEL	)	701-TA-432 and
WIRE STRAND FROM BRAZIL,	)	731-TA-1024-1028
INDIA, KOREAN, MEXICO, AND	)	(Preliminary)
THAILAND	)	

Pages: 1 through 201

Place: Washington, D.C.

Date: February 21, 2003

HERITAGE REPORTING CORPORATION
Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005
(202) 628-4888

THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation Nos.:
PRESTRESSED CONCRETE STEEL WIRE STRAND FROM BRAZIL, INDIA, KOREAN, MEXICO, AND THAILAND	)	701-TA-432 and 731-TA-1024-1028 (Preliminary)

Friday,
February 21, 2003

Room No. 101
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:30 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Acting Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

ROBERT CARPENTER, ACTING DIRECTOR OF INVESTIGATIONS
GEORGE DEYMAN, SUPERVISORY INVESTIGATOR
MARY MESSER, INVESTIGATOR
MARK REES, ATTORNEY/ADVISOR
BILL DEESE, ECONOMIST
JAMES STEWART, ACCOUNTANT
HARRY LENCHITZ, INDUSTRY ANALYST

APPEARANCES: (cont'd.)

In Support of the Imposition of Countervailing and Antidumping Duties:

On behalf of American Spring Wire Corp., Insteel Wire Products Co., and Sumiden Wire Products Corp.:

TIM SELHORST, President and CEO, American Spring Wire Corp.
JOSEPH NAPOLI, Product Manager, American Spring Wire Corp.
H.O. WOLTZ, III, President and CEO, Insteel Wire Products Co.
RICHARD WAGNER, Vice President and General Manager, Insteel Wire Products Co.
SAM TAKAMUKU, President, Sumiden Wire Products Co.
BRIAN BURR, Plant Manager, Sumiden Wire Products Corp.
JEFFREY FEITLER, Sales Representative, Sumiden Wire Sales
GINA E. BECK, Economic Consultant, Georgetown Economic Services, LLC
MICHAEL T. KERWIN, Economic Consultant, Georgetown Economic Services, LLC

PAUL C. ROSENTHAL, Esquire
KATHLEEN W. CANNON, Esquire
JOHN M. HERRMANN, Esquire
Collier Shannon Scott, PLLC
Washington, D.C.

In Opposition to the Imposition of Countervailing and Antidumping Duties:

On behalf of The Crispin Co.:

JACQUES BOUCHEZ, President, The Crispin Co.
WILLIAM DICKERSON, General Counsel, The Crispin Co.

JOHN GURLEY, Esquire
Coudert Brothers, LLP
Washington, D.C.

APPEARANCES: (cont'd.)

In Opposition to the Imposition of Countervailing and Antidumping Duties:

On behalf of Camesa, Inc., Universal Products Group, Inc., Aceros Camesa, S.A. de C.V., and Cablesa, S.A. de C.V.:

THOMAS W. UTZ, President, Camesa, Inc.
THOMAS F. MATHEWS, Marketing Director, Universal Products Group, Inc.

HERBERT E. HARRIS, II, Esquire
JEFFREY S. LEVIN, Esquire
JOHN B. TOTARO, JR., Esquire
Harris, Ellsworth & Levin
Washington, D.C.

On behalf of Belgo Bekaert Arames S.A.:

JOHN G. REILLY, Consultant, Nathan Associates, Inc.

CHRISTOPHER S. STOKES, Esquire
CRAIG A. LEWIS, Esquire
Hogan and Hartson, LLP
Washington, D.C.

On behalf of Korea Iron & Steel Wire, Ltd., Dong-II Steel Mfg. Co., Ltd., Manho Rope and Wire, Ltd., and Young Heung Iron and Steel Co., Ltd.:

DONALD B. CAMERON, Esquire
JULIE C. MENDOZA, Esquire
Kaye Scholer, LLP
Washington, D.C.

On behalf of Siam Industrial Wire and Cementhai SCT USA:

DAMON T. SUN, Business Development Manager, Cementhai SCT USA

WILLIAM J. MORAN, Esquire
White and Case
Washington, D.C.

I N D E X

I N D E X

P R O C E E D I N G S

(9:30 a.m.)

MR. CARPENTER: Good morning. Welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping and countervailing duty Investigation Nos. 701-TA-432 and 731-TA-1024 through 1028 concerning imports of prestressed concrete steel wire strand or PC strand from Brazil, India, Korea, Mexico, and Thailand.

My name is Robert Carpenter. I'm the Commission's Acting Director of Investigations, and I will preside at this conference. Among those present from the Commission staff are from my far right, George Deyman; to my right will be Mary Messer, who is now reviewing an APO release. It should be ready for the parties by the conclusion of the conference, so you may want to stop by the Secretary's office and pick up your copies.

To my left is Mark Rees, the attorney/ advisor; Bill Deese, the economist; Jim Stewart, the accountant; and Harry Lenchitz, the industry analyst.

The purpose of this conference is to allow you to present your views with respect to the subject matter of the investigations in order to assist the

Commission in determining whether there is a reasonable indication that a U.S. industry is materially injured or threatened with material injury by reason of imports of the subject merchandise.

Individuals speaking in support of and in opposition to the petition each have one hour to present their views. Those in support of the petition will speak first.

The staff will ask questions of each panel after your presentations, but no questions from opposing parties will be permitted. At the conclusion of the statements from both sides, each side will be given ten minutes to rebut opposing statements and make concluding remarks.

This conference is being transcribed, and a transcript will be placed in the public record of the investigation. Accordingly, speakers are reminded not to refer in their remarks to business proprietary information and to speak directly into the microphones. Copies of the transcript may be ordered by filling out a form which is available from the stenographer.

You may submit non-confidential documents or exhibits during the course of your presentation. These will be accepted as conference exhibits and

incorporated into the record as attachments to the transcript.

Speakers will not be sworn in. However, you are reminded of the applicability of 18 USC 1001 to false or misleading statements and to the fact that the record of this proceeding may be subject to court review if there is an appeal. Finally, we ask that you state your name and affiliation for the record before beginning your presentation.

Are there any questions?

(No response.)

MR. CARPENTER: If not, welcome, Mr. Rosenthal. Please proceed.

MR. ROSENTHAL: Thank you. Good morning, Mr. Carpenter and members of the Commission staff. I am Paul Rosenthal with the law firm Collier Shannon Scott. We're here today on behalf of the domestic prestressed concrete strand industry, which I'll refer to as the PC strand industry for short.

The case that we bring you today I think is relatively straightforward in terms of the basic Commission analysis. Subject imports from the five target countries are increasing in both absolute volume and as a percentage of the U.S. market and have been over the past three years. At the same time, the

average unit values of those imports have been declining steadily, and import prices are undercutting producer prices.

The result? A declining market share for U.S. producers, reduced shipments, unused capacity, reduced employment depressed prices, closure of facilities, reduced investments, and, most importantly, a decline in operating profits to losses. The evidence we will present to you provides a compelling case of material injury by reason of unfairly traded imports.

Let me introduce our witnesses and describe the nature of our testimony this morning. Mr. Tim Selhorst, the president and CEO of American Spring Wire Corporation, will begin by describing the product at issue and the production processes. Next, Mr. H. Woltz, the president and CEO of Insteel Wire Products, will address the sales and marketing of PC strand in the United States and the injury Insteel has suffered due to unfairly traded imports.

Mr. Brian Burr, a plant manager for Sumiden Wire Products Corporation, will follow with a discussion of the impact of PC strand imports on his company. My colleague, Ms. Kathy Cannon, will then address legal issues presented by this case; and,

finally, Ms. Gina Beck of Georgetown Economic Services will summarize the volume and pricing data and will discuss the impact of the increasing volumes of low-priced subject imports on the domestic industry.

In addition to these witnesses who will present direct testimony, several other representatives of the petitioning companies are available to answer questions following our testimony. Mr. Jeff Feitler, the sales representative for Sumiden Wire Sales; Mr. Richard Wagner, vice president and general manager for Insteel Wire Products; and Mr. Joe Napoli, the product manager for American Spring Wire Corporation, will all be available to answer questions.

Also joining us this morning are Mr. John Herrmann of Collier Shannon and Mr. Michael Kerwin of Georgetown Economic Services.

With that introduction, let me turn to our first witness, Mr. Selhorst.

MR. SELHORST: Good morning to you all. I am Tim Selhorst, the president and CEO of American Spring Wire Corporation. My company produces PC strand in two locations, Bedford Heights, Ohio, and Houston, Texas. This morning I'd like to address the product and the production process for PC strand.

The product at issue in this case is prestressed concrete steel wire strand, known more simply as PC strand. PC strand is a carbon steel product that is used to reinforce poured or cast concrete, a similar application to steel reinforcing bar.

What distinguishes the applications of PC strand from those for rebar is that PC strand is tensioned either before or after the concrete is poured, thereby prestressing the concrete. Prestressing allows concrete to withstand tensile forces without cracking.

Typical applications of prestressed concrete include bridge decks and pilings, precast concrete panels and structural supports, roof trusses, floor supports for buildings like parking garages or highrise buildings, and foundations in areas with expansive soils.

The inherent characteristics of PC strand allow it to withstand the tensioning it undergoes by our customers. The production process for PC strand starts with hot-rolled, high carbon steel wire rod. The hot finished wire rod material is first cleaned and descaled, either mechanically or through acid pickling. The cleaned wire rod is then coated with

zinc phosphate. The coated rod is then cold-drawn through a series of dies to its finished wire diameter. The wire is then spooled onto a reel and placed into a stranding machine.

In the stranding machine, wires are stranded into a multi-wire configuration, generally six outer wires helically encircling a center wire in a consistent pitch. This so-called seven wire strand is by far the most prevalent product in the industry. Strand may also be produced with as few as three wires, although demand for such a product is very small.

After the stranding process, stranded wire then enters a heat treatment and relaxation furnace that acts to reduce stress built up between individual wires and imparts additional mechanical properties to the strand. My company does not produce any form of covered strand, but other domestic producers here do. If the product were to be sold as covered strand at this point in the production process, the stranded wire would be either epoxy coated or lubricated with grease and sheathed in a plastic casing.

The finished product is wound into a reelless coil and strapped into place with steel bands. The product is packed in this way so that the

end user can place the coil in the user's own strand dispenser, and the strand can be fed from the dispenser. Finally, the coil may be covered with plastic or burlap to protect the product during transport to our customers.

PC strand is available in two types, three grades and several nominal diameters. The two types of strand are low relaxation and stress relief. Low relaxation strand is now regarded as the standard type of PC strand in the U.S. market, and stress relief strand is not furnished unless specifically ordered.

PC strand is generally available in three different standard grades -- Grades 250, 270 and 300, with Grade 270 accounting for the vast majority of PC strand purchased in the United States. These grade designations correspond to the minimum ultimate tensile strength of the product in thousands of pounds per square inch.

PC strand is typically sold in nominal diameters ranging from one-quarter to three-quarters of an inch. One-half inch diameter is the most common product size. In fact, the product on which the Commission requested pricing data in its questionnaire -- half-inch, Grade 270, low relaxed strand -- accounts for most of the sales of PC strand in the

U.S. market.

PC strand is typically priced and sold in thousands of lineal feet, but it may also be sold by the coil or on the basis of weight. For half-inch diameter strand, the standard pack is 12,000 lineal feet of PC strand per coil. The number of feet per coil will vary, depending on the diameter of the strand.

While we may occasionally have an individual customer order PC strand with specifications that differ from standard specification, the vast majority of PC strand is made to industry wide standards such as those of the American Society for Testing and Material.

In fact, to the extent we get individual customer specifications, they tend to be in areas related to testing and certification of the product rather than involving any changes in the basic manufacturing process. All domestically produced PC strand and all the imports meet the prevailing industry standards. The vast majority of PC strand is produced to go into inventory rather than being produced to an order.

The distinctions in the production process between one manufacturer of PC strand and another or

between one country and another are very minor. There are currently five domestic producers of PC strand. The three companies represented here this morning, American Spring Wire, Insteel and Sumiden, are the largest U.S. producers. The two other producers are Strandtech Martin, which has its production facility in Summerville, South Carolina, and Sivaco Wire Group, whose plant is in Newnan, Georgia.

I should clarify that we had five domestic producers of PC strand. Just this month, Sivaco announced that it will close its Georgia facility within the next few months, moving some of their equipment to existing facilities in Canada. In trade reports, import competition was cited as one of the primary reasons behind Sivaco's move.

After many years in this business, I find what is happening to the U.S. PC strand industry very frustrating. The industry has very modern, state-of-the-art production facilities for PC strand in the United States. Despite these efficient facilities and the dedication of our workers, we can't compete with the pricing that we are seeing on imports coming into the United States.

I fear that if we do not stem the flow of unfair imports, other closures are sure to follow

Sivaco's recent announcement.

Thank you.

MR. ROSENTHAL: Mr. Woltz?

MR. WOLTZ: Good morning. My name is H. Woltz, and I'm president of Insteel Wire Products Company, a Petitioner in this case. I've been active in the steel wire industry for 25 years, serving as president of Insteel Industries for 13 years, and I've been involved in all aspects of the PC strand business, including investment justification, facility construction and start up, production and marketing for the last 10 years. My testimony this morning will focus on the marketing of PC strand in the United States, as well as the effects of unfairly traded imports on Insteel's operations.

Let me begin by discussing the nature of the product we produce as it relates to sales. As Mr. Selhorst stated, PC strand is produced to ASTM specifications by both U.S. and foreign producers. In fact, unlike many other steel products that you've investigated, PC strand is not sold in a wide array of varying physical characteristics. The vast majority of all sales of PC strand in the U.S. are of the same exact product -- half-inch diameter, Grade 270, low relaxation, uncovered, prestressed concrete strand.

Once the product is produced in accordance with the ASTM specifications and consistent with these technical specifications, it is interchangeable whether produced by a domestic or foreign company. As a result, the principal basis on which purchasing decisions for PC strand are made in the U.S. is on price.

PC strand is marketed throughout the U.S. by both domestic producers and subject importers for a variety of end uses. As a high-strength concrete reinforcement, PC strand is used in structures such as parking decks, bridges, commercial and residential structures and institutional construction. Prestressed concrete strand is sold in most cases directly to end users, whether the product is produced domestically or whether it's imported.

The end users in turn use a pretensioning or a posttensioning process for the strands' ultimate application. The pretensioning process is used on precast concrete applications where concrete is cast into a form that contains pretensioned strands. After curing, the stress in the strands is transferred from the tensioning mechanism to the newly cast concrete element to impart compression forces in the element. Then the form is stripped from the concrete element,

and the element is delivered by truck to the construction site.

The posttensioning process entails delivering fabricated tendons to a job site, installing them and tensioning them as the construction process progresses. Thus, although the product is called prestressed concrete strand, the nature of its use may be in pretensioning or posttensioning applications. In other words, the function of the strand is to impart compressive forces into concrete structures.

Importantly, regardless of whether the product will be pretensioned or posttensioned, the PC strand produced has the same physical characteristics and is produced using the same production process. The vast majority of PC strand sold for both pretensioned and posttensioned applications is the half-inch, 270K strand I described earlier. Domestic producers and importers sell PC strand for both pretensioned and posttensioned applications.

When PC strand is sold for certain unbonded posttension applications, it must first be covered with a heavy grease, and then a plastic jacket is formed around it. Coating is not required for pretensioned applications, but is required for some,

although not all, posttensioned applications. Customers that coat the PC strand generally do so in addition to providing the application engineering needed to apply the strand to its ultimate use.

Coating of PC strand is a low value added operation involving minimal investment. Our Florida wiring cable facility has a coating operation, but we were forced to close that operation down as a result of a lack of overall profitability. Given present market conditions, there is no incentive for us to coat the product because we can't obtain a price that covers the cost of the coated strand, and, further, our customers who use a coated product already have coating capacity in place. In addition, we have a toll arrangement with a coater that enables us to furnish coated strand if it's necessary.

I should add that there's another type of coating process that Insteel does undertake, and that is epoxy coating. Unlike greased and sheathed products, epoxy coating of strand is a high value added operation that yields a product suitable for extremely aggressive environments. It is also produced under proprietary technology.

As reflected in the import statistics, the vast majority of PC strand imported into the U.S. in

general, as well as from the target companies, is of uncovered PC strand. Thus, whether the end user is a posttensioner that ultimately will cover the strand or not, the competition for sales is largely occurring between imported and domestic uncovered PC strand.

Sales of PC strand in the U.S. take place on the basis of both spot and contract sales. The vast majority of our sales are on a spot basis. Although we have attempted to arrive at extended pricing arrangements with our customers that lock in pricing for a quarter or more, our customers have little incentive to commit to a price given the continual decline in the selling price that has occurred in the U.S. market over the past few years.

On the other hand, foreign producers have been willing to guarantee low prices for an extended period without regard to fluctuating raw material costs or other market forces. Due to import competition, we cannot sell off a price list, but instead are forced to sell at the price levels prevailing in the market at a particular time.

As the data presented to the Commission in our petition demonstrate, there's been serious erosion in the prices of PC strand during the past three years, and imports have been responsible for leading

that downward pricing spiral. These price declines have led to the dismal financial performance of the industry that you see in 2002.

As a result, Insteel has been unable to justify investment in its PC strand operations that would reduce conversion cost, and we have suspended nearly all capital investments. In addition, Insteel has been unable to undertake research and development over the last three years.

No other factor than subject imports explains the decline in our industry's performance. In the 1990s, demand for PC strand was very strong and growing, justifying the expansions in capacity that were made to meet the growing demand. Since 2000, demand has stabilized at a historical high point for the industry. Indeed, the market for PC strand has remained remarkably resilient, despite the economic downturn, making all the more apparent the effect of subject imports.

Nor is our industry downturn due to inefficiencies or poor product. Our product is as good or better than anyone else's in the world. Further, we at Insteel have undertaken steps to reduce costs, rationalize operations and promote efficiencies to ensure that we would not lose sales due to our own

shortcomings. Despite these steps, we've been forced to close facilities, lay off employees and reduce capital investments all as a result of import competition.

None of these actions has enabled Insteel to reverse the negative impact that unfairly traded imports are having on our operations. Our sales have continued to decline, and our financial condition has continued to erode. We cannot stand idly by and watch our industry and our company suffer decimation as a result of unfair trading practices of our foreign competitors.

Although Insteel has a strong belief in free trade, that trade must be fair. Foreign producers of PC strand have engaged in substantial dumping in order to undercut our prices and obtain sales or force us to reduce our prices to maintain sales.

I'm confident that Insteel can compete with any producer in the world on a fair trade basis, but unless fair trade is restored to our market, the declines that our industry has experienced in the past three years will only intensify. Relief is needed to ensure that our industry will remain viable and that fair trade is restored.

Thank you.

MR. ROSENTHAL: The next witness is Mr. Burr.

MR. BURR: Good morning, Mr. Carpenter and Commission staff. My name is Brian Burr. I am the plant manager of Sumiden Wire Products Corporation's facility in Dixon, Tennessee, a position I have held since 1995.

In total, I have worked in the wire and PC strand industry for 13 years, all as an employee of Sumiden. For the past two years, I worked as the plant manager in our Stockton, California, facility. In addition, I am responsible for overseeing and managing all production related operations at Sumiden's Stockton facility.

Sumiden is a major U.S. producer of PC strand. We have been producing PC strand in the United States since 1979 when we opened our Stockton, California, facility. We subsequently began producing PC strand in the Dixon, Tennessee, facility in 1996. In addition to those two facilities, Sumiden produced PC strand at a facility in Victorville, California, that was opened in March 1999.

As a direct result of the injury inflicted on our company by unfairly traded imports, Sumiden decided to close that facility in the third quarter of

2001. When that facility was closed on December 31, 2001, it had been in operation for less than three years.

Sumiden's operation of PC strand production facilities in Tennessee and California provides it with a national sales presence. The Victorville facility was constructed to further strengthen our ability to meet our customers' needs and to serve the strong and growing demand for PC strand. Sumiden invested about $10 million in constructing the Victorville facility, and it was anticipating significant returns from this new, highly efficient and technologically advanced facility.

The Victorville facility is certainly one of the most efficient PC strand production facilities in the world. It was designed specifically to produce the bread and butter product in the PC strand market -- one-half inch, 270K, seven wire PC strand. The Victorville facility, however, was opened just as unfairly traded imports of PC strand began to have a significant impact on our operations.

By third quarter 2001, market prices had eroded to the point where we could no longer justify operating the facility. As a result, despite the large amount of resources committed to constructing a

highly efficient, state-of-the-art facility, we made the very painful decision to lay off our dedicated Victorville employees and to close the plant.

For 23 years, Sumiden had made it a policy to keep all of our people employed regardless of market conditions. Unfortunately, due to injury inflicted on our company by unfairly traded imports, we were forced to break our longstanding policy.

Sumiden is not the only domestic PC strand producer that has recently made the decision to close a very new, highly efficient facility. Sivaco, another domestic producer of PC strand, recently announced its decision to close a facility in Newnan, Georgia. That facility, which opened in the spring of 2001, was in operation for slightly less than two years before a decision was made to close it.

Like our Victorville facility, Sivaco's Newnan facility has state-of-the-art equipment that allows it to produce PC strand very efficiently. Despite these efficiencies, Sivaco, like Sumiden, appears to have determined it simply cannot compete against the low prices at which foreign import producers are selling in the United States. Indeed, it is my understanding that Sivaco's Newnan facility never produced at more than a fraction of its

capacity.

We have suffered the impact of unfairly traded imports in the market as a result of the foreign producers' aggressive pricing practices. During the period of investigation, several foreign producers guaranteed their prices at very low levels for product that would be delivered as much as a year later. Foreign producers made these commitments regardless of potential fluctuations in the market for PC strand.

This practice is reflected in documentation recently sent to our company and the Department of Commerce by an unknown individual. Specifically, we received a copy of a purchase order for a U.S. sale made by Belgo Bekaert, a Brazilian producer of PC strand. We will submit copies of that purchase order with our postconference brief so that you will have a chance to review it.

In addition to reflecting a very low price, the purchase order demonstrates just this type of aggressive pricing practice. While the sale was completed on July 24, 2002, the purchase order indicates the merchandise was not to be delivered to the United States until February 2003. The willingness of this foreign producer to commit to a

rock bottom price more than six months in advance of delivery illustrates the aggressiveness with which the targeted imports have attacked the market.

Sumiden, in contrast, sells virtually all of its PC strand on either a spot basis or pursuant to quarterly contracts. In addition, after closing our Victorville facility and the elimination of 1,500 tons per month capacity of that facility, we were shocked to see prices continue to decline by an additional 10 percent. This clearly illustrates the pricing frenzy of importers obsessed with moving tonnages at any price.

The large and growing presence of unfairly traded imports has had a significant negative impact on virtually all aspects of Sumiden's operations. Nevertheless, we have made every effort to continue to make strategic capital investments in our facilities. Most recently, we made investments in the drawing operations in our Dixon facility and the pickling operations in our Stockton facility.

These investments, like our much larger investment in the Victorville facility, reflect efforts to reduce our production cost and maximize Sumiden's competitiveness. These investments have accomplished their intended results by reducing cost

and strengthening our competitiveness. No level of capital investment, however, could have enabled us to deal with the large volumes of unfairly traded PC strand imports entering the United States.

Despite continued investments in our PC strand operations, we have not realized the financial benefits of a strong market for our products. It is absolutely crucial that we have the opportunity to realize a decent return on these investments.

As the profitability of Sumiden and the domestic industry continues to decline, finding the money needed to make such investments becomes more and more difficult. Unless those investments are made, the ability of the domestic industry to produce PC strand efficiently and offer it to customers at competitive prices will erode. Our industry badly needs relief from unfairly traded imports before there's significant, long-term damage done to our industry's competitiveness and before additional plant closures such as those in Victorville and Newnan become unavoidable.

I appreciate very much the opportunity to appear before you today and would be happy to answer any questions you may have at the appropriate time.

MR. ROSENTHAL: Our next witness is Kathy

Cannon.

MS. CANNON: Good morning. I'm Kathleen Cannon of Collier Shannon Scott, and this morning I would like to briefly address three legal issues presented in this case -- the domestic like product definition, the domestic industry definition and cumulation.

As set forth in our petition, the domestic like product definition should mirror the scope of this case and should be defined to comprise all prestressed concrete steel wire strand. This definition is consistent with the Commission's past practice, as well as with the facts.

In the recent sunset review of the antidumping duty order on PC Strand From Japan, the Commission defined the like product as encompassing all PC strand and neither broadened the like product to include other steel products nor segmented the like product into two or more products. The same result should be reached here.

As Mr. Selhorst stated, PC strand is a discrete steel product produced in accordance with ASTM specifications and suitable for use in prestressed concrete applications. No other steel products are like PC strand in physical

characteristics and uses, and no other products are substitutes for PC strand for its intended use.

Further, as you will see from the domestic producers' questionnaire responses, the domestic producers of PC strand have manufacturing lines and employees that are dedicated to the production of PC strand and are not used to produce other products. Accordingly, the like product should not be expanded beyond the scope of this case to include any other product.

Nor should the Commission segment various kinds of PC strand to form different like products. Variations in the types, grades or diameters of PC strand are simply minor differences in a single like product, as is true for many other steel products. Based on the Commission's judicially approved practice of disregarding minor variations in defining like product, all PC strand should be found to comprise a single like product.

The domestic industry in turn comprises all producers of PC strand. During the period of investigation, there were five producers of PC strand, the three petitioning companies represented here, as well as Strandtech Martin and Sivaco Wire Group. As Mr. Burr testified, however, Sivaco recently announced

that it would be closing its facility, leaving only four U.S. producers comprising the PC strand industry today.

Finally, let me address cumulation. Imports from all five subject countries should be cumulated in the Commission's assessment of injury in this case. The statute requires the Commission to cumulate imports where petitions were simultaneously filed if the imports compete with one another and with the domestic like product. Here Petitioners' petitions were simultaneously filed, and the testimony you have heard should leave no doubt that competition is occurring between and among subject imports and domestic producers.

In fact, the lost sales and lost revenue allegations set forth in Exhibit 11 of Volume 1 of the petition provide numerous examples of direct competition between imports and domestic producers, as well as between and among the subject products, the subject imports themselves. As you see from this exhibit, in a number of instances multiple subject countries are identified as competing for a sale against one another and against a domestic producer.

The factors that the Commission have identified to analyze the appropriateness of

cumulation -- fungibility, common channels of distribution, common geographic markets and simultaneous market presence -- are all met in this case.

As Mr. Woltz stated, PC strand is produced to ASTM specifications by both domestic and foreign producers, and the majority of sales are of the exact same product, the half-inch, 270K PC strand. PC strand is fungible whether produced by domestic or foreign producers. Common channels of distribution for PC strand also exist. The vast majority of PC strand is sold directly to end users, and U.S. companies and foreign producers compete directly for such sales.

PC strand is sold by domestic producers on a nationwide basis and competes throughout the United States with subject imports from all countries. As the import statistics indicate, subject imports from all five countries have been simultaneously present in the U.S. market during the period of investigation. These factors support cumulation of subject imports in this case.

That concludes my statement, and I'll be pleased to answer any questions you may have at the conclusion of our testimony.

Thank you.

MR. ROSENTHAL: And last, but not least, Ms. Beck.

MS. BECK: Good morning, Mr. Carpenter, Mr. Deyman and Commission staff. My name is Gina Beck, and I am an economist with Georgetown Economic Services, consultants to Petitioners. I will demonstrate this morning how the volume and price effects of subject imports have had an injurious impact on the domestic PC strand industry.

When U.S. producers' prices and financial trends have deteriorated at the same time low-priced imports from Brazil, India, Korea, Mexico and Thailand have increased at accelerating rates, something is severely wrong in the marketplace. This something is clearly subject imports.

The injurious effects of the significant and rising volume of low-priced imports from the five named countries have manifested themselves in numerous ways with the negative effects including substantial U.S. price declines leading to lost revenue, lost sales and a serious erosion in the industry's financial performance to an operating loss.

As you can see from Chart 1, the volume of unfairly traded imports has increased substantially

from 2000 to 2002 and has stood at significant levels during each year of the POI. When the petition was filed, Census Bureau data were available through November 2002. Consequently, import data were annualized for full year 2002. Now statistics are available through December 2002, so the import volume and market share trends that I am discussing this morning reflect data for actual January through December 2002.

In terms of the cumulated subject imports, the volume rose by 37.3 percent over the POI, again shown in Chart 1 above. Not only have import volumes grown, but subject PC strand imports have captured a large and increasing share of domestic consumption during each year of the POI, standing at 15.7 percent in 2000, 17.1 percent in 2001 and surging to 22.5 percent in 2002. These data reflect questionnaire responses submitted by certain U.S. producers and estimates for those that had not been released yet.

While subject import market share grew steadily over the POI, the U.S. producers' share of the domestic market dropped during each year. Target imports collectively gained 6.8 absolute percentage points of the market share from 2000 to 2002 as U.S. producers' market share dropped by 6.9 percent points

over the same period.

Moreover, the impact of surging imports has not been limited to the loss of market share. These surging import volumes have been achieved by the pricing practices of subject imports that undercut U.S. prices and that have declined significantly over the POI. The record evidence establishes that U.S. price depression and lost revenue are the result.

The reason U.S. producers' prices have fallen to unprofitable levels is not hard to ascertain. The average unit values of subject imports fell throughout the period of investigation from $423 per short ton in 2000 to $408 per ton in 2001 and further to $385 per ton by 2002. These declining AUVs, which corroborate the widespread underselling of domestic PC strand, have had a significant impact on U.S. prices, resulting in the substantial price depression over the period.

Specifically, data for half-inch, 270K, uncovered PC strand as presented on a quarterly basis in the petition at Exhibit 13 shows significant U.S. price declines and widespread underselling with underselling margins by subject imports ranging from 15 to 30 percent. As the Commission recognized in its recent sunset review, underselling comparisons based

on AUVs are probative in this industry because the vast majority of imported PC strand, as well as domestically produced strand, is half-inch, 270K product.

As noted in the petition, AUVs of imports from Mexico are aberrational and appear to be erroneous, given both the extremely high levels compared to other imports and as compared to actual market prices at which PC strand from Mexico sold in the United States. As a result, pricing comparisons for Mexico were not provided in the petition, but we fully anticipate that data collected in response to the Commission's importer questionnaires will demonstrate underselling by PC strand imports from Mexico.

The next issue to be examined is the impact of the subject imports on the U.S. industry's financial performance. We have already alluded to the dire condition of the industry. Reporting levels and trends in the injury indicia have deteriorated linearly from 2000 with net sales falling by 20 percent over the POI and the industry's profitability in 2000 plummeting to operating losses in 2002. As displayed in Chart 2, operating profit as a ratio of net sales fell from seven percent in 2000 to negative

three percent in 2002 based on data reported in questionnaire responses.

You have already heard from our industry witnesses of the difficulties they faced over the period since 2000, including the closures of their and other U.S. PC strand facilities. Indeed, such drastic consequences are completely predictable for an industry that reported operating income margins approaching break even levels in 2001 and red ink on operations in 2002.

As illustrated in Chart 3, this deterioration occurred at the same time growth was seen in subject imports' share of the U.S. market. Several companies could not sustain this financial deterioration year after year and were forced to close plants. These losses have also prevented the industry from attracting capital to fund the continued investments needed in this industry or to even cover operating cost.

With the financial data for the industry recording such losses, it follows that other indicators that the Commission examines, such as domestic shipments, market share, production, capacity utilization and employment, would all show similar declines to unhealthy levels. They do, with the

employment indicators especially impacted by the closures that have been mentioned earlier.

The causal link between the rising volume of imports and declining domestic market share, prices, profits and other trade indicia that I mentioned are corroborated by lost sales and revenue information provided by the industry. We direct the Commission staff to Exhibit 11 of the petition for numerous, and I stress numerous, examples of lost sales and revenue.

As you will notice, a significant number of those examples represent high volume sales that were lost, translating into millions of dollars. These examples provide further compelling evidence of the injurious effect of imports. In addition to analyzing present material injury, the statute requires the Commission to determine whether the domestic industry is threatened with material injury by reason of unfair imports. In particular, the Commission must examine whether significant increases in the volume of imports and price depression are likely.

As I mentioned earlier in my testimony, rampant underselling by target imports forced price reductions upon the U.S. industry. As the AUVs of domestic shipments fell significantly over the POI, given the recent surging volumes of target imports and

declining U.S. prices, it is clear that domestic producers are faced with a real and imminent threat of material injury.

In sum, the material injury experienced by U.S. PC strand producers can be directly traced to the aggressive low pricing of unfairly traded imports. Without import relief, the domestic PC strand industry will reach an even more dire financial situation.

Thank you for your attention, and I would be pleased to answer questions.

MR. ROSENTHAL: That concludes our presentation. I think we've set a new record with the time left over. I hope the Respondents will follow our lead.

MR. CARPENTER: You did very well. As an administrative matter, thank you, first of all, for your presentations. They were very helpful. I appreciate that. As an administrative matter, we will accept Charts 1 through 3 as Petitioners' Collective Exhibit 1.

We'll start the questions with Ms. Messer.

MS. MESSER: Good morning. Mary Messer, Office of Investigations. Thank you for your testimony. It was very helpful.

I'd like to explore a little bit further,

Mr. Woltz, what you had discussed on the pretensional and posttensional, especially in light of the letter that was filed yesterday by joint Respondents requesting that we collect additional shipment data on the two markets.

Just so that I can get a better understanding of what that is, if I understand correctly, you said that most of what is sold is uncovered from the import side. Is that correct?

MR. WOLTZ: Yes, that is correct. The overwhelming majority is uncovered.

MS. MESSER: Is the exact same product used for pretensional and posttensional applications?

MR. WOLTZ: As an uncovered product, the two are identical.

MS. MESSER: So it's the user then that prepares it for whatever application?

MR. WOLTZ: Generally the posttensioners that use covered strand engineer the application, as well as do the covering process, themselves. The underlying strand is identical, though, whether it is covered or whether it is used in a pretensioning application for a precaster.

MS. MESSER: But you also indicated that you have a toll producer that would also cover it for your

company?

MR. WOLTZ: Yes. Our company used to do that process, but it was not a profitable undertaking for us. If we are asked to provide the product as a covered product, we do have a toll relationship now. It's a very small part of our business, though. The value added is very low, so it's almost an insignificant part.

MS. MESSER: What about the other two producers here? Do you also have the coating capabilities for the posttensional application, or is it pretensional?

MR. SELHORST: Posttension. Right.

MS. MESSER: Okay.

MR. SELHORST: No. We do not have a facility to grease and coat strands. We would use a toll processor to do so if we were asked to do so, but we're not asked to do so. These customers have their own facilities to do that.

MS. MESSER: Okay.

MR. BURR: And we do not have a grease and wrap operation, but we do have an epoxy coating operation, must like Insteel has.

MS. MESSER: Okay. Is there a difference in price sold for each of the markets for the strand?

MR. WOLTZ: Well, since we haven't been directly involved in making those sales it's really difficult to say. There certainly should be. In the past, the difference was insufficient to make the undertaking profitable. I would doubt that anything has changed on that.

MS. MESSER: Okay.

MR. ROSENTHAL: I just want to clarify. I want to make sure I understood your question.

You're talking about the difference in price between epoxy coated and other covered strand or between uncoated and covered or coated strand?

MS. MESSER: I guess my question is the strand that is used for pretensional versus the strand that is used for posttensional application.

MR. ROSENTHAL: Okay. Well, there I want to clarify. The strand is exactly the same in the uncovered state. This industry sells it to pretensional and posttensional, if you will, so that is exactly the same. The question is whether there's some additional processing done by the posttensioners, and generally there is, although this industry can do it as well.

The testimony is that because the price difference is not very much when you coat it, this

industry has said we can't make our money by selling as much of the coated strand, so we're going to let our customers do it if they want to, although when they're asked to do it, as you've heard from Insteel and American Spring Wire, they will do it through a tolling operation if required to, but there's just not enough of a price -- they don't make money by adding that value, I think, if that helps.

MR. WOLTZ: I think one other thing that's important to understand is that there are both coated posttension applications and there are uncoated posttension applications, so the entire posttension market does not consume covered strand.

MS. MESSER: Okay.

MR. WOLTZ: It consumes some covered and some uncovered. For the part of the product that is consumed in the uncovered state, it is identical in every respect to what we sell to pretensioners.

MS. MESSER: Okay. And the pretension strand is always uncoated? Is that right?

MR. WOLTZ: It's always uncovered.

MS. MESSER: Uncovered.

MR. WOLTZ: Right.

MR. CARPENTER: I just want to get a clarification. I've heard the term coated and

uncoated and covered and uncovered. My understanding was coated could apply to either I think a grease coating or an epoxy coating, whereas covered might be a plastic or a burlap. That's just in reading the petition.

You seem to be using the terms interchangeably, and I'm not sure whether they're the same or they're different.

MR. WOLTZ: A strand generally is greased and plastic coated. The other covered and coated, and it's probably more properly referred to as coated, is the epoxy coated product.

The epoxy coated product is a much smaller market even than the greased and sheathed product for posttensioning, so really in our vernacular we would just refer to that as epoxy coated generally, but it is a coated strand just coated with epoxy rather than with grease and plastic sheathing.

MR. KERWIN: I would clarify one point, if I might, that the language in the petition where it referred to covering with burlap or plastic, that was at the end of the entire production process when you're talking about the reel of PC strand, so it's all wound into a reel, and then steel bands are put around that to hold the reel together, and then on the

outside of that you might place burlap or plastic just to cover the surface during shipment.

MR. CARPENTER: Okay. Just to follow up on that, if I recall correctly, and I'm not sure if this is right, but in the price information that we saw data on I think it said uncovered. Is that referring to that final covering, as opposed to the epoxy coating?

MR. KERWIN: No. That specification would be for the strand itself; that it would be uncovered, bare strand. You know, the reel might have been sold covered in burlap or plastic, but the strand itself was uncovered.

MS. CANNON: I think in answer to your question, we have used the terms coated and covered fairly interchangeably. The word covered is used in the HTS tariff schedules and so that word appears in our petition a lot because of that.

In the industry parlance they generally use the word coated, but there they refer to the same thing, and they're basically referring to whether they're coated with the plastic coating or whether they're coated with the epoxy coating that's coating or covering the strand.

MR. CARPENTER: Okay. Thank you very much.

MR. ROSENTHAL: Just one more time. This is now probably beating a dead horse, but the kind of covering that Mr. Kerwin is referring to is not how it is actually being used as a matter of shipping the product and protecting it in shipment, but it is actually then going to be taken of the reel as uncovered strand.

MR. CARPENTER: I understand. Thank you.

MR. ROSENTHAL: Okay.

MS. MESSER: Thank you. That was helpful.

I'd like to get back to the pretension and posttension market. Can I get a feel from all of you about how much of U.S. shipments are made to each of the different markets, round figures or an idea?

MR. WAGNER: It's about one-third to the posttension and two-thirds to the pretension.

MS. MESSER: Okay.

MR. CARPENTER: You might want to identify yourself in your answer just so the reporter can --

MR. WAGNER: I'm Richard Wagner with Insteel Wire Products.

MS. MESSER: Thank you. Now the applications of the pretension and posttension markets. Are they separate applications, or are they just the same general application, but used for

different purposes in that application?

MR. WOLTZ: In fact, posttensioners and precasters or pretensions frequently compete with alternate methods of construction for the same project, be it a parking garage. That's a good example.

The methods are different. The precasters or pretensioners in a factory cast their element. They then ship them to a job site as components, and those elements are erected into the structure.

If the project uses the posttension method rather than the precast method, the structure is generally cast on site, and the compressive forces that the strand imparts are actually -- that whole process actually occurs on the site as the structure is cast in pieces and then basically hooked together with the strands.

A structure might, let's say like a parking deck, easily be one or the other, and sometimes there are components of each method in a structure. They're just alternative methods of constructing. A third alternative might be that steel construction is considered for that project, so the methods compete among one another.

MS. MESSER: Okay. So parking garages are

not all pretensions, and bridges aren't all posttensions, for instance?

MR. WOLTZ: Exactly.

MS. MESSER: Okay. Within each of those markets, the third going to the posttension and two-thirds going to pretension, in each of those markets what are the sizes of the Buy America restrictions within each of those?

MR. WAGNER: The Buy America restrictions cover approximately 25 percent of the total consumption. Richard Wagner with Insteel.

MS. MESSER: So 25 percent of the third of the market that goes to posttension and 25 percent of the two-thirds that go to pretension? Is it pretty equal?

MR. WAGNER: Yes, it would be pretty equal.

MS. MESSER: Okay. Now, the raw material input is steel wire rod. By the way, are the domestic producers integrated, or do they purchase the raw material input, steel wire rod?

MR. WAGNER: We purchase.

MR. SELHORST: We all purchase steel wire rod.

MS. MESSER: Okay. Has that always been the case pretty much?

MR. SELHORST: Yes, I believe it's always been the case.

MS. MESSER: Okay. Do the Buy American requirements go back to the raw material input, steel wire rod, or is it just the restriction placed on the actual production of the stranding?

MR. WAGNER: Yes. They would include the wire rod.

MS. MESSER: Okay. You indicated that there are two types, three grades and several sizes and diameters. On the two types, the low relaxation and stress relieved, can you once again explain what the difference between those two are? I'm not sure I caught it the first time.

MR. WOLTZ: As a practical matter from Insteel's point of view, there is next to no market for stress relieved strand. The stabilized or low relaxation product is a superior product. It is the standard.

To my knowledge -- Richard, correct me if I'm wrong -- I don't think we've sold a foot of stress relieved strand in 10 years.

MS. MESSER: Yes. I got that from your testimony, but what is it physically? What are the differences or similarities?

MR. WOLTZ: Low relaxation refers to the tendency of the product not to creep or to stretch when it is held under high tension.

MS. MESSER: Okay.

MR. WOLTZ: Okay. That property is imparted into the strand by heating the strand while it is held under load or tension.

Stress relieved strand, on the other hand, would simply be heat treated or stress relieved, but not under load. As a result, the creep or the stretch over time in stress relieved strand is far greater and, therefore, the properties of the strand are not as great, and the use is very limited by that creep because when it creeps or stretches then you're losing the tension that the strand is meant to impart into the concrete element.

MS. MESSER: Okay. Looking back at the report the Commission wrote in the 1999 review case, it stated that 90 percent of the PC strand sales in the U.S. are of Grade 270 and that over 75 percent are of the half-inch diameter.

Once again, you indicated that the 270 grade is the predominant one. The half-inch diameter is the most common. Would the 90 percent Grade 270 and 75 percent half-inch diameter still hold true for the

domestics?

MS. CANNON: My understanding is it generally holds true, but the industry can speak better to that than I can.

MR. SELHORST: Yes, I'd say that's a pretty fair estimate.

MS. MESSER: Is that for both the domestic and the imported product?

MR. WAGNER: I would say that would be the domestic product. The imported product has been predominantly half inch to the degree of maybe 90 percent.

MS. MESSER: Okay. I believe that's all I have. Thank you very much.

MS. CANNON: Mr. Rees?

MR. REES: Thanks, Mr. Carpenter, and thanks for your testimony this morning, members of the panel. My name is Mark Rees from the Office of General Counsel.

I'm going to back up a step further on this discussion of the product, if I may. The Commission is obviously familiar with PC strand, but I still need to fill in some of my knowledge.

What's the difference between strand, rope, cable and cordage? This can be a mini tutorial;

nothing extended. It would be helpful in terms of how these terms of art are used.

MR. WAGNER: Richard Wagner with Insteel. I'll try to give that a simple explanation.

We would refer to a strand as a unit where there's one layer of concentrically wound wire about a center wire, and then the difference or the distinction between that and a cable product would be that it may have multiple strands or multiple layers.

Then the distinction between a rope product is that that could include that which is made of steel and possibly that which is made of hemp product, and then I'm not quite sure how to get into cordage.

MR. FEITLER: Jeff Feitler with Sumiden Wire.

I'd like to add maybe one other thing to that is that strand typically has a higher tensile strength as well with that.

MR. WAGNER: Yes.

MR. REES: So all of those products are stranded in the sense that in terms of the process that you're dealing with a core of a wire around which there are other wires stranded? Is that a fair statement?

MR. WAGNER: Yes, it is

MR. REES: Okay. And then in terms of the applications briefly between those products, what's the difference?

MR. WAGNER: It's very common for a rope or a cable to become a product that if used in multiple listing applications it might suspend the product overhead. It has a much larger number of wires in its construction partly as a safety factor.

A strand product, in terms of its use, a predominant amount of strand is used in the United States either as prestressed strand or prestressing strand, and then the next largest application is guy strand. That probably accounts for the vast majority of the product used.

Of course, prestressed strand is what we're talking about here, and then a guy strand would be used to hold up utility poles and that sort of thing.

MR. REES: Thank you. That's helpful.

MR. WOLTZ: Just one other comment, if I may. In terms of prestressed concrete strand, there is no other application other than concrete construction application for prestressed concrete strand.

MR. REES: Okay.

MR. WOLTZ: It's not a component of a rope,

it's not a component of a cable, and it's not a component of cordage.

MR. REES: And following on that point, is stranded wire, a stainless steel wire, ever used, which I understand is specifically excluded from the scope here, but is that ever used for prestressing concrete?

MR. WAGNER: Yes, but only in one application that we know of where the military would set up degousing piers, and the piling that would go into that would have to have a stainless prestressed strand in it. That's only been done maybe four times in the last 15 or 20 years.

MR. REES: Is stranded wire of galvanized steel wire, again a product that's specifically excluded from the scope, is that ever used for a prestressing concrete?

MR. WAGNER: No, it's not. It's not appropriate, the zinc coating with concrete itself. They just don't go together.

MR. REES: So then summarizing, with the exception of this very, very limited application of stainless that you mentioned, stranded wire of non-stainless, non-galvanized steel is the only stranded wire used for prestressing concrete? Is that correct?

MR. WOLTZ: I believe that's correct. You might also keep in mind that prestressed concrete strand is stabilized, which is a process that I don't believe is inherent to any of those other applications -- rope, strand. For instance, guy strand is certainly not stabilized. It's a process that is unique to concrete construction applications.

MR. REES: You mentioned there being just one concentric ring in the strand. In terms of the number of strands, is seven wire strand essentially the only stranded wire used for prestressing concrete?

MR. WOLTZ: No, but seven wire strand accounts for probably 98 percent of the market. There is a small quantity of three wire strand that is used for specific small applications.

MR. REES: There's been much discussion about covered versus uncovered, so I won't explore that further except to ask if the Respondents contend that there are two separate and distinct markets between posttensioned and pretensioned PC strand or PC strand used for posttensioning and pretensioning in prestressed concrete steel, and this is perhaps directed to the lawyers. What's the response to that argument?

MS. CANNON: I'm sorry. If they contend

that there are two separate markets?

MR. REES: Right.

MS. CANNON: Is it our contention that there are not?

MR. REES: Right.

MS. CANNON: It is our contention that there's not any market segmentation. There are different applications. I think that's the better way to describe it, as Mr. Woltz did.

There is an application for pretensioning, which is a method that they use, and there is a posttensioning application, which they can describe better than I, but the bottom line here is that the product that is sold by this industry is identical to both uses, so that is not market segmentation of the type the Commission may have seen in other cases because it is exactly the same product that is being sold just for a different application as the pretensioners or posttensioners choose to use it.

MR. ROSENTHAL: The domestic industry sells to posttensioners and pretensioners. As you heard before, the pretensioners and the posttensioners compete against one another for the same job, so it's not as if we're talking about separate markets, as you might have heard from Respondents.

MS. CANNON: And we have the imports competing in both of those, in sales to both pretensioners and posttensioners as well.

MR. FEITLER: I would like to add to that, too, the fact that our Victorville operation was built to meet the growth and demand in the posttensioning industry.

Our markets for many years, I think the majority of posttensioning, unfortunately, we've lost a large market share. Unfortunately, as a result we had to close Victorville. It was dedicated not 100 percent, but the majority of that, for the posttensioning industry.

MR. REES: One other purely technical question about the product. I saw in some of the industry literature a mention of indented strand. What is that?

MR. WOLTZ: Indented strand is strand that is made of wires that have been deformed with small notches or dimples. That process is performed in the wire drawing operation where carbide rolls are actually used to dimple the wire.

The wires are then stranded, and the reason that you would do this is to enhance the bonding characteristics between the strand and the concrete.

In effect what you're doing is increasing the amount of surface area for the same cross section.

MR. REES: In terms of the construction areas that are involved, the industries in which PC strand is used, is it fair to state -- when I first read the petition I got the impression that much prestressed concrete is used in public works projects. You mentioned bridges, decks, girders and the like, public building projects as well, many, many commercial applications, but then I heard your testimony this morning, Mr. Woltz, also mentioning the housing construction.

Is there any area? It sounds as though virtually or just about every area of construction uses prestressed concrete.

MR. WOLTZ: If the construction contains concrete, there is likely an application for PC strand in it. Slab on grade work has grown tremendously in recent years. Ten years ago it was not unheard of, but certainly not uncommon. If there's concrete there, there is likely an application for PC strand.

The slab on grade application is generally found in areas with expansive soils that expand and contract with moisture and provide a poor subgrade for foundations or for floor slabs.

Posttensioning those slabs impart great compressive forces into the slab on grade that allows the slab to resist cracking even though the soil underneath it is not stable. That's a regional phenomenon that has seen areas of great growth in the use of PC strand.

MR. REES: Ms. Cannon, I understand the like product position asserted by the claimants here is essentially that there's one like product coterminous with the scope, and you state that the definition is effectively the same definition adopted by the Commission in the 1999 sunset. Is that correct?

MS. CANNON: Yes, that's correct.

MR. REES: I won't explore that further here, but I would ask you, of course, to comment in your postconference brief. As you discuss the like product issue, obviously address the six factors that the Commission typically considers in analyzing the like product issue.

If you might include whether you think there are any lessons that should be drawn or that should not be drawn from any other Commission investigations of PC strand other than the sunset and the 1978 investigation that it reviewed. I counted six.

MS. CANNON: We'd be happy to do that.

MR. REES: Similarly, as I understand the legal argument, the domestic industry -- at least conceptually you would define the domestic industry or recommend the Commission define it as it did in the 1999 sunset, correct?

MS. CANNON: That is correct.

MR. REES: Okay. Are there any issues in this investigation under the related parties provision of the Act?

MS. CANNON: No, not to my knowledge. I don't believe we have any domestic producers that are either related to foreign producers or are importing subject merchandise that would call into question that provision.

MR. REES: Did I understand your testimony correctly that in the petition Petitioners take the position that none of the subject country imports are negligible or is negligible?

The data upon which the petition relied was necessarily through November 2002, and the Petitioners assert here that the data for the most recent 12 month period preceding the filing of this petition continue to support that same result.

MS. BECK: That is correct. We will present in our postconference brief an updated table that

provides the subject imports by month, but, with the updated December statistics which became available late in the day yesterday, you will find that all meet the statutory factor.

MR. ROSENTHAL: Mr. Rees, you may know that in other cases we have taken issue with how the Commission defines the 12 months preceding, but we don't have that issue here.

MR. REES: You're free to include any legal argument on the point in your postconference brief as you wish.

MR. ROSENTHAL: This is one instance where we'll save some ink and paper because I think no matter how you look at it there's no negligibility issue.

MR. REES: Okay. And in that postconference brief obviously please include a discussion of your position on this issue of cumulation.

With respect to cumulation negligibility, of course, take the opportunity, please, to rebut any points you might hear from the Respondents today.

MR. ROSENTHAL: Certainly. We were assuming that the Respondents would agree with everything we were saying, so we wouldn't have to say a lot in our posthearing brief.

MR. REES: Well, will they agree with your position that the vast majority of PC strand imported into this country is half-inch, Grade 270, low relaxation strand?

MR. ROSENTHAL: If they understand the facts properly, yes.

MR. REES: Okay. So in terms of the coverage that we have here, your position is that we have a very good sampling of pricing data?

MR. ROSENTHAL: I believe you will if you don't already, but that is the product that I think everyone will agree is the predominant product sold in the marketplace.

MR. REES: Ms. Beck, you might have touched on this, and I just didn't hear it clearly enough. Why should the Commission give way to AUV data from subject imports from Brazil, India, Korea and Thailand, but not from Mexico?

MS. BECK: The statistics reported by the Bureau of Census show AUVs that are very high for Mexico, very high in comparison to other subject countries and also very high in comparison to the prices that have been reported in the lost sales and lost revenue allegations and seen by the industry in the marketplace.

We feel very strongly that something is in error with the data reported by the Census Bureau, but this data will be or has been collected in the importers' questionnaire from Mexico for the exact product that you'll be comparing, so we feel strongly that that will show the underselling that the industry has seen in the marketplace.

MR. ROSENTHAL: Mr. Rees, we're suggesting you look at the AUV data just as a proxy. You'll get the actual pricing information that we think will be more probative in time, but what we've had to look at both in terms of the pricing information we've gathered matches up very well with the AUV information, at least when it comes to trends. You'll have all of that later on.

Ultimately my hope is, my guess is, that you won't have to rely on AUV data. You'll have actual pricing information.

MR. REES: The petition states that the price is the "primary" means of competing in the domestic PC strand market. What other means are there? On what other bases do this product compete?

MR. WOLTZ: Clearly the product is a sophisticated product in terms of its metallurgy. It is tensioned under high loads, a high percentage of

its ultimate strength, and if the product were to break during that process it is potentially life threatening to the workers around the product, so the tendency of the product not to break is of critical importance.

Probably 20 years ago the U.S. had a distinct advantage over other countries. Today, the products are all good products. There's very little difference in the quality level that's seen from domestics or imports, but clearly a break or a history of break would be a reason not to buy someone's product, whether it was foreign or whether it was domestic.

Of course, customers always want the product when they say they want it, which is another basis of competition.

MR. REES: The 1999 sunset views of the Commission stated, among other things, "Appearance, the uniformity of its surface, its exact specifications and other quality factors typically associated with steel products matter little to most purchasers..." -- this is regarding PC strand -- "...so long as the strand meets general strength, elongation and bendability requirements."

Is that still the case in the Petitioners'

view today?

MR. ROSENTHAL: Yes.

MR. REES: The Commission also found that demand is derived from PC strand's use in the construction area. Petitioners still agree with that, do they not?

MR. ROSENTHAL: Yes. You also heard Mr. Woltz testify earlier that demand has been surprisingly strong through the 1990s and even up through 2000, the early part of this century, through today.

MR. REES: Yes. That would be my final question concerning the construction industry, concerning this area that appears to drive demand for PC strand, its use in construction.

Have there been declines in the construction industry over the last several years or during the POI, if you know?

MR. WOLTZ: I'll answer it this way by saying that there have been two primary drivers of market demand, P-21 funding of infrastructure products, as well as private construction.

As you know, construction is a lagging market. The next few years may see less favorable demand characteristics than the past few years based

on the lag that generally is associated with the construction market, but as the information will show we believe the market, even through a tough economy the last couple years, has been essentially flat, which is unlike many of the other markets that we serve that are down in units by double digits.

Certainly the low interest rate environment has also held up the private construction side of the market, so it's been one of the real bright spots in the overall marketplace.

MR. REES: Thank you. That's all I have.

MR. CARPENTER: Mr. Deese?

MR. DEESE: William Deese, Office of Economics.

Mr. Woltz, what is P-21 funding?

MR. WOLTZ: I forgot what P-21 stands for. Transportation. It's a federal DOT spending program that was enacted four years ago or five years ago which provided a 30 percent increase or 40 percent increase in funding for domestic infrastructure and transportation projects as compared to the previous legislation.

MR. DEESE: Okay. Thank you.

Earlier you mentioned that prestressed concrete today is used also in residential

construction where it hasn't been in the past. Do you have any idea what percentage of residential construction uses prestressed concrete? Is it small? Is it large? Do you have any sense of that?

MR. WOLTZ: First, I didn't mean to imply that it had not been used in residential in past years. I think it has. It's just grown in recent years, and I do not know. I have no statistics for what percentage the residential market uses this method.

MR. DEESE: Is there any way to make either prestressed concrete or poststressed concrete without using PC strand?

MR. WOLTZ: No.

MR. DEESE: So if there's any substitution in construction, there's no substitution in how the prestressed or poststressed concrete is made. There could perhaps be some substitution in whether concrete elements or steel elements or some other type of element may be used in the construction?

MR. WOLTZ: That's correct, but if it's prestressed concrete or posttension it relies on strand.

MR. DEESE: Mr. Burr, you mentioned earlier that you had closed one facility. Does your firm

still own it? Have you sold it? What are your plans for that shut facility?

MR. BURR: We have closed the facility. It is basically idle right now. The plans will depend a lot upon what happens probably through this and what the long-term demand in market is going to be.

If, you know, we're going to see it up tick in the short term we probably will not restart that plant, but it depends on the economics of it.

MR. DEESE: So you still have the capability to restart production at that plant?

MR. BURR: We could.

MR. DEESE: Do you produce anything else at that plant?

MR. BURR: No. It was designed only for one-half inch, 270K PC strand.

MR. DEESE: Okay. No further questions.

MR. CARPENTER: Mr. Stewart?

MR. STEWART: I have no questions.

MR. CARPENTER: Mr. Lenchitz?

MR. LENCHITZ: Harry Lenchitz, Office of Industries.

Mr. Burr, I was wondering on your decisions regarding closures. Is the proximity of the plant to the end users an issue in terms of being able to

transport the product economically, and could you tell us more about that?

I know your plant in Tennessee is pretty much center of the country. With the plant in California, was it a factor that it is far from much of the market? Can you tell us more about where the markets are?

MR. BURR: Sure. Actually, the plant was in Victorville, which is just east of L.A., and that is probably one of the fastest growing markets for strand usage in the U.S., so our transportation costs were substantially less than shipping from our facility out of northern California. We positioned that facility directly in the center of the growth of PC strand consumption.

MR. LENCHITZ: Just one follow-up, if I may. Your present production. Is it sold throughout the United States or, for that matter, throughout North America, or do you concentrate on certain geographic markets?

MR. BURR: We can sell anywhere, and we do from each facility. We sell in different locations. There are certain areas that we don't go to because of transportation costs like maybe southern Florida or something like that, but, generally speaking, we sell

throughout the U.S.

MR. WOLTZ: Our company sells nationwide basically from our facilities located in Florida and Tennessee, so the product does tend to be shipped a long ways.

MR. CARPENTER: I just have a couple additional questions.

First again related to the pretension and posttension issue, you made the statement that PC strand sold for use in pretension and posttension applications is identical for the producers here. Do you know whether your product is sold for use in one application versus the other?

I guess another way of looking at it is are there a group of pretension end users and a group of posttension end users and they rely only on one or the other as far as the way they apply the product, or do they not know how it's going to be used?

MR. SELHORST: I'll answer this. I'd say generally we know the application it will be used for, but I think the important point here is that we manufacture the product to an inventory, not to a fixed order, a discrete order, so, you know, regardless of a prestressed application or a posttension application it's shipping from inventory

of half-inch, 270K strand.

We may know the end application at the point of sale, but it's not pertinent to what we have in inventory.

MR. CARPENTER: Okay. When you get the order and you fill it from the inventory, does the order specify that it's to be used for pretension or posttension application?

MR. SELHORST: Not in our case, no. I don't believe for the others either.

MR. CARPENTER: Okay. Let me ask you another question in what I'm leading to. If we were to ask you to provide us information on how much of your U.S. shipments during the last three years were sold for use in pretension versus posttension applications, would you be able to provide that data, or is that something that it would just be a rough estimate?

MR. SELHORST: I think we could provide that data with some accuracy, but I think there would be some degree of estimation in it.

MR. ROSENTHAL: It's not because it's the nature of the product. It's just because they know who their customers are.

MR. SELHORST: Right.

MR. CARPENTER: Okay. If I might ask, if you could just give us estimates in your posthearing brief or postconference brief for the quantity of U.S. shipments that were sold for use in pretension versus posttension applications to the best you can estimate it? I would appreciate that.

Just one other question. On the profitability data in Chart 2 that you show it shows a pretty significant drop in profitability. You've already testified as to how prices have declined over the last couple years.

Can you tell me anything about on the cost side how your costs have changed? Have they increased, remained constant or decreased? How does that compare with the decrease in price as far as the effect on profitability?

MR. BURR: Brian Burr with Sumiden. I can speak on behalf of our cost. Over the POI, our production costs and our costs in general have decreased substantially -- I want to say in double digit percentages -- just in order to compete with the import pricing.

Generally speaking, there are some factors that come into play that would have potentially raised some costs, but we've done a tremendous amount of cost

reduction to actually get that down.

MR. CARPENTER: What is your primary raw material? Is it carbon steel wire rod?

MR. BURR: It is.

MR. CARPENTER: Okay. And what have wire rod prices done over the last couple years?

MR. BURR: We've seen a little bit of fluctuation. I think on a historical basis it hasn't been particularly substantial, nothing that would drive any significant cost increases in our facilities.

MR. CARPENTER: Any other companies want to offer --

MR. WOLTZ: Wire rod prices have been relatively flat.

MR. SELHORST: We concur with Brian as well. Our costs to manufacture the product have actually come down over the period of investigation.

MR. CARPENTER: Okay. We'll be able to analyze that information based on the questionnaire data, but I just wanted to see if there were any other factors that might be at play here that we might not be picking up.

Mr. Deyman?

MR. DEYMAN: George Deyman, Office of

Investigations. First of all, thank you for your very helpful presentation.

You mentioned that Sivaco announced that it was shutting down its production and that there were trade reports linking that to import competition in part or in whole. If you have access to those trade reports, we would very much appreciate having them in the postconference brief.

MS. CANNON: We will do that. There's an *American Metal Market* article that we will be happy to submit to you.

MR. DEYMAN: Have any of you had any announced worker layoffs of a magnitude that may have called for a press release or something of that sort?

MR. WOLTZ: Insteel closed a facility that did result in press reports. We closed that facility.

MR. DEYMAN: Okay. Well, it would be helpful to have those press reports also in the postconference brief if possible.

Has there been any assistance from the Department of Labor for any of these layoffs in this industry?

MR. ROSENTHAL: Sumiden has not.

MR. DEYMAN: With regard to the imports, as you indicated in the petition, the official statistics

indicate that imports from the countries have increased substantially between 2000 and 2002 except for imports from Brazil. For some reason, the imports from Brazil decreased by 29.1 percent. Is there something about the product from Brazil?

MR. ROSENTHAL: There's nothing different about the product. As you heard earlier, the Brazilians had earlier I guess last summer concluded a sale that wasn't going to be delivered until the first part of 2003, so maybe they have longer lead times or for some reason obviously wanted to commit to a base shipment at a later date, but nothing different about the competition with Brazil or about the product coming from Brazil.

MS. CANNON: I'm sorry. I would just add, Mr. Deyman, that Brazil, despite the decline, still you see a substantial volume tonnage over the entire period, and that was clearly why it was included because whether it's declined or not it maintains a huge market presence here and has done so throughout the period of investigation.

MS. BECK: If I might just add in addition to the substantial levels which it still reflects that the prices are still at very low levels and continue to be problem.

MR. DEYMAN: All right. Thank you very much. I have no further questions.

MR. CARPENTER: Thank you again for your testimony and for the very responsive answers to our questions.

We'll take a break until 11:20 and then resume with the Respondents' presentation. Thank you.

(Whereupon, a short recess was taken.)

MR. CARPENTER: Mr. Cameron, feel free to start whenever you're ready.

MR. CAMERON: Thank you, Mr. Carpenter, members of the staff. It's always nice to see a new face in a different role.

For the record, my name is Don Cameron. I'm accompanied by Julie Mendoza. We are appearing here on behalf of KIS Wire and other Korean producers. I'm going to make a few introductory remarks on behalf of all Respondents.

As you will hear in the testimony from other witnesses today, the petition filed against imported PC strand from subject suppliers presents a very incomplete picture of the U.S. market for PC strand and the markets served by domestic producers and importers.

As noted in yesterday's joint Respondents'

letter to the Commission, as the Commission has already acknowledged, the U.S. market for PC strand is broken down into two distinct market segments, precast or pretension and posttension.

The witnesses from Crispin on my left will explain in detail the differences between the markets, but at its most basic level posttension PC strand must be greased and covered with a sleeve, and PC strand is then stretched after the concrete is set. Posttension strand is used predominantly in -- if I said pretension, I apologize. It is the posttension PC strand that is covered, and it is used predominantly in building and residential use.

Most, though not all, posttension PC strand is converted by converters such as Suncoast and Duadag who add the grease and the sleeve to the uncovered wire strand. These converters purchased uncovered PC strand, produce the finished product and sell it to the end user.

In the case of Korea, we estimate that over 95 percent of PC strand imported from Korea goes to the posttension market and is processed by U.S. converters. Very little Korean material competes in the precast market. We believe this is typical of imports which compete largely in the posttension

segment of the market. We estimate the posttension PC strand accounts for roughly 30 percent of the total market for PC strand.

Precast PC strand is stretched before the concrete hardens. There is no sleeve, and no conversion is required by converters with precast strand. A common use is in the construction of bridges.

We estimate that precast strand accounts for roughly 70 percent of all PC strand consumed, but that the demand in this market segment may be significantly affected by downturns in bridge construction and major government projects. The precast market is dominated by domestic producers and by projects which require the use of American made steel based on federal, state or local Buy America or Buy American programs.

Now, I've got to tell you I was stunned this morning. We had a petition in which the words Buy America never appeared. In the direct presentation of the domestic industry, we didn't hear one word about Buy America, and yet we heard testimony this morning that they estimate that well, maybe it's 25 percent, maybe it's higher, maybe it's lower, and we only got the estimate from one producer and not all. Clearly, they know how much goes to Buy American and how much

doesn't go to Buy American.

If that's the case, we understood the Commission this morning to ask not only the domestic producers, but us as well, to split out our shipment to the pre and posttension market according to the whole POI based upon our data. We obviously have no problem doing that. We're the ones who requested the Commission to gather that data.

In addition, we would ask the Commission staff to ask the domestic industry to further break out their shipments to each one of these markets according to Buy America and non-Buy America because what applies to one producer may or may not apply to all of the producers, and we think that they are understating the significance of that market.

The existence of these two separate markets, the precast and the posttension, is hardly what one would call a news flash, although it would be a news flash reading the petition. Putting that aside, there are separate institutes that actually are devoted to collecting data on these two separate markets, the Posttensioning Institute and the Prestress Concrete Institute.

Therefore, it is rather curious and highly disappointing that Petitioners failed to mention the

different markets in their petition, thereby hindering the collection of accurate shipment and pricing data that reflect the differences in the two markets and that the Petitioners failed to mention that as much as 60 percent of the precast and as much as 20 percent of the posttension market is subject to Buy American restrictions in which only U.S. producers participate.

This data is significant because it explains why imports increased to meet greater demand in the building and residential posttension segment of the market, while U.S. producers and market share have declined as a result in the drop off in the demand for bridge building and other public works projects in the precast segment of the market.

For example, we point the Commission to the 2000-2001 summary of tonnage reports from the Posttensioning Institute, which we provided today, and copies have also been distributed to the Petitioners. That data shows, for instance, that the building and residential consumption of PC strand increased by 11,000 tons between 2000 and 2001, basically 11.4 percent growth. That's combining buildings and what is known as slab on grade. John Reilly and the witnesses from Crispin are going to discuss that further.

At the same time, posttension PC strand consumed for bridges, which we believe to be virtually 100 percent governed by Buy America restrictions, declined by 12,000 tons or 44 percent. Now, this is only 2000 and 2001 because this is the latest data that we have available.

Now, while we understand that bridges are a much more substantial component of the much larger precast market than of the posttension market, the decline in demand for posttension PC strand in bridges appears to indicate a decline in overall PC strand consumption for bridges.

Again, the significance is that PC strand used for bridge construction and other government work or, as one witness said this morning, the P-21 project, is the exclusive preserve of the U.S. industry because federal, state and local Buy American and Buy American provisions provide that, so it should be no problem for the Petitioners to, therefore, provide that data since they've already given an estimate this morning, and we would like to make sure that this Commission gets that data on the record so we can actually get a good idea of exactly what this industry is about.

We would also like to note in this regard

that the Commission should disregard the price data collected so far. The price analysis presented this morning by Petitioners said absolutely zero about prices. I mean, zero. It compared AUVs, as John Reilly will discuss further.

More importantly, the fact is that because of the Petitioners' failure to inform this Commission of the different markets and the significant role of Buy America in this market, the price comparisons are not going to yield anything meaningful anyway. Sales subject to Buy America provisions over which the U.S. industry has a virtual monopoly should not be compared to import prices that are not allowed to participate in that market.

Similarly, domestic prices in the precast market should be compared to import prices in the precast market, and sales to the posttension market should be compared to import prices in the posttension market so we can at least try to do apples to apples, as opposed to what they have provided now, which is apples to kumquats, and they have done this based upon the fact that they have not given the Commission the data upon which to even ask for the question so that you could have pricing series that would work.

The comparison today based upon the database

that you have is not possible, and the responsibility for the failure appears to lie squarely at the feet of the domestic industry, who didn't bother to tell you about how this market actually works.

Thank you.

John?

MR. GURLEY: Good morning. My name is John Gurley. I'm with the law firm of Coudert Brothers. I'm here together today with two officials from the Crispin Company. To my left is Mr. Bill Dickerson. To his left is Mr. Jacques Bouchez, who is president of Crispin Company.

Crispin Company is the single largest U.S. distributor of PC strand. Mr. Dickerson will provide testimony today regarding the bifurcation of the market between the precast and the posttension market and conditions of competition in the U.S. market.

Bill?

MR. DICKERSON: Thank you, John.

I'm afraid we're going to overwhelm you gentlemen with these distinctions again, and a lot of mine are going to somewhat seem to be duplicate in what's been said, but I think that the previous gentleman is very clear and accurate in emphasizing that the principal indication is that imported

products are causing injury to the domestic industry, and that simply isn't true.

It seems to me and our people that there is a monopoly in the United States in certain segments of the industry and that what could happen -- I don't want to be unduly harsh -- is that it looks like a second monopoly, which would be given by a dumping order, would give them the entire market as a monopoly.

With some fear of being duplicative, I'd like to explain the two sectors. It simply divides this principally into how you make the strand and when you apply the tension. The tension in the case of precast is made before the concrete goes on, and the tension in posttensioning, the tension is made afterwards. That's just a simple definition.

In order to tension after you put the concrete on, you have to have a polyethylene sleeve that's greased so that the tensioning can occur. In the precast there is no sleeve, and the concrete bonds to the steel. Then when you release the applied tension, it remains because of the bonding. That's the simple difference.

The other distinction is in the use. As was just said, normally and traditionally the precast is

used in building structures such as bridges and the like. Those are principally funded by the government, and they have the Buy American provisions. There are also provisions, other types of construction, where private clauses are put in the contract, and they also have a Buy American feature.

When we sell our product, as he said, the industry is segmented. There are posttensioners, and there are precast people. We know when we sell somebody just to the T what he's going to do with that, and they do, too.

Traditionally, however, the U.S. industry has not concentrated on the posttensioning industry. They have, understandably, concentrated on the protected part of the industry, and there they have a complete monopoly. Our sales for Buy American are zero. The gentleman preceding me, his sales are zero because it's a set aside monopoly.

Where we do have competition is in certain applications of precast and mostly posttensioning, and there the market is free. In that market, the Petitioners have traditionally not had an active role. When I say active role, sure, there is no absolute. They have had some presence, but it's not significant. Most of our customers when we call on them, they don't

deal with the domestic mills and traditionally have not until recently.

We see some effort being made, and it's somewhat of a coincidence that, for example, in the last I would say eight months we've noticed that some of our customers tell us that they've been called on by the domestic mills, and we've seen the domestic mills, specifically Insteel, go to customers and offer an extremely low price, a price which we would never offer, and we often laughed when it was done that we might buy from them at that price if they would sell. Why they would do such a thing I'll leave it up to you all to wonder.

The domestic industry has focused in this precast and virtually relegated the balance to the import industry. Why do they do that? Because they're protected. We estimate that around 60 percent of all precast markets are subject to Buy American. In some cases, posttension is used in bridges, and it also is Buy American.

Almost all of our sales are to posttensioning people, some to precast people, but we know in each case what they are, and we know in each case there is no Buy American.

MR. DICKERSON: The petitioners allege that

there is a substantial injury caused by imports. That simply is not true. We do not know if petitioners are actually losing money, but we do know it's not because of imports. I suspect, as the predecessor did, a principal cause of any industry injury could be by reduction of the Buy American projects at the federal, state and local levels.

And there could be, I suppose, in the future because of conditions in the United States everybody knows about that those fundings could come under stress again, and it's understandable that they would look to a nontraditional source of business, and it's the business that they have just ignored in the past.

It's clear to us that if they are getting competition it's not from the importers. In fact, what does happen that we have noticed for the first time some small incursions and efforts of competition with us by them, but it's not major.

They claim that their market share has fallen from 76 to 69 percent in the last three years. This number is meaningless unless we know how much their Buy American business has declined in the last three years, you see, because if that's declined, it's not because of your fault.

In fact, I think you might find that in the

business where we have a free market and they have traditionally competed with us that their market share actually may have increased, but certainly we would see no reason why in that market it would decline, and that would be especially true if they were to offer those very special prices that we have seen in the market.

The Buy American also has restrictions that protect the domestic industry indirectly. For example, some people who have government business may not want to mingle, to run the risk of mingling their inventories. It's a very serious offense, and I think everyone rightly takes, that if you represent that your product is domestic and it's not, it is very serious, and I am sure that they are very careful about that themselves.

And we have some people that say we would like to buy from you, but we have all these other contracts. We will just stick to the domestic, and in those cases they may use a quantity of steel in the pretest system from the domestics.

Another example of how the Buy American works is that some private contracts for political reasons, union reason or other reasons, the high-profile cases will specify Buy American. One example

is in Houston the sports stadium recently, it's a private contract, but it's right there in our home town, it's right in the port area, and we were not able to have -- our customers couldn't bid on that because it was set aside and there was a Buy American provision in it. They told us.

Petitioners chart in their petition what purports to be representative average unit prices. We agree that this chart is inaccurate. It compares import cost to domestic sales prices. In any case, the average U.S. price no doubt includes the high protected prices petitioner obtained Buy American contracts.

Petitioners do not provide any real data as to their prices in those markets where there may be, in fact, the competition from an imported product.

If foreign importers did in fact have such a large price advantage, as the petitioners alleged, then petitioners would have a hard time competing, if at all. However, imports simply do not have that advantage.

The post-tensioning market has in fact increased in that period. Crispin, like most other importers, focused virtually all of their offers in the post-tensioning market. This is the competitive

market that has been growing for several years. Most likely the economist witness will provide data on this point.

The post-tensioning market is primarily for residential and commercial markets, especially in California, Texas, Nevada and Arizona. PC strand is a very good for forest labs and parking garages. Here PC stand is replacing rebars and competes vigorously with rebars. Because of declining interest rates, this market has been very strong. For this reason imports have increased somewhat over the last three years, but not at the expense of the domestic producer. In fact, we suspect that he has benefitted from that as well.

Crispin believes that the recent decline in the prestressed market has led the U.S. producers to begin looking closely at the post-tension market, and like most entrants, as I have said they've got some presence, but their reputation is not to serve that market, and to enter there, there is resistance. Over the past years there has been times of oversupply, undersupply, tight supply.

The Crispin Company and other importers are able to provide a continuous source of supply for customers like this over the years by drawing from

various producers all over the world. They develop friendships with those people. If they have a problem, we have a solution. We provide consultation and help with them. If they say delay a order, we delay it.

Well, you know how business works. People help each other. That's the way good business relations result, and you don't break those overnight, and it's no wonder that if they try to enter into one of those companies there is going to be resistance.

We get stories from people saying they have in the past bought from the domestic producer, and when things get tight, when there is big projects on the Buy American side they abandon them. They don't forget this.

So to get into this market with people who traditionally you have not supported, it's going to require you to cut the price and to take drastic action.

In conclusion, I ask the Commission to look carefully at the underlying facts. Petitioners have the burden to show that imports are significantly competing with them and thereby injuring them. They have not met that burden.

Recently the U.S. industry began competing

in the post-tensioning business by buying their way in. Again, in the post-tension market, there is no monopoly protection such as the Buy American. We suggest that the petitioners conduct business the old-fashion way; that they earn it. Sell a quality product at reasonable prices. They should not be allowed to exclude importers from the post-tension market, thereby getting a total monopoly.

I wish to thank the Commission for the opportunity and if you have questions at the appropriate time, we will be glad to answer them.

MR. REILLY: Good morning, Mr. Carpenter and members of the staff.

For the record, I am John Reilly of Nathan Associates, appearing on behalf of respondents. I should note that I have distributed a handout. We are going low tech this morning so there will be no pela-point presentation.

The petitioners assert that increasing subject import volumes and market shares, coupled with declining domestic shipments and prices make it obvious that the subject imports have injured the domestic industry. I will show in detail that this obvious connection between the subject imports and any injury to the domestic industry is in fact illusory.

In fact, market segmentation and differential demand trends within the segments explain the rise of subject imports and the decline in domestic shipments.

I will also comment on the issue of underpricing following my discussion of market trends.

The first page of my handout summarizes the relevant segmentation of the U.S. market for strand. Precasters, also known as prestreesers, account for roughly 70 percent of U.S. PC strand consumption based on figures from the Post-Tensioning Institute and the Precast Concrete Institute.

Respondent personnel familiar with the market estimate that about 60 percent or more of the PC strand tonnage going to precasters is protected from import competition by Buy American programs. These programs include not only federal programs like DOD programs, but local government programs, state government programs and private Buy American programs as was referred to a few moments ago.

Only 40 percent, by our estimate, of the PC strand tonnage going to the precasters moves in an open market. As best the respondents can determine, the volume and share of subject imports sold to prestressers, the precasters, is insignificant. The absence of imports reflects the dominance of protected

Buy American projects, the very small PC strand lots purchased by the precasters, the inconvenience and cost of maintaining dual inventories of domestic and imported PC strand to assure that no import goes to a protected project, and the importers inability to inefficiently serve this low-volume dispersed market.

Post-tensioners account for about 30 percent of U.S. PC strand consumption, and respondents estimate that 80 to 85 percent of the PC strand consumed by post-tensioners is open to import purchases.

By far the most important segment of the open post-tensioning market is residential construction, and virtually all subject imports go to post-tensioners with a very strong emphasis on residential construction.

In fact, importers and their partners in the post-tensioning industry have led in developing the market for post-tension concrete and importers have traditionally been the principal suppliers to this segment.

Page 2 of my handout shows post-tensioning PC strand consumption for the 1997 to 2002 period. Note that total consumption increased steadily from 1997 through 2000, leveled off in 2001, and has

resumed a strong upward path in 2002.

As is obviously, the PC strand market segment served by subject imports reflects robustly growing consumption.

The latest data on the distribution of post-tensioning PC strand consumption are for 2001, and they are shown on page 3 of my handout. Foundation slabs, or slabs on grade, slabs on ground, principally for single family residences account for 43 percent of consumption. Buildings, principally multi-family residences, account for an additional 37 percent of consumption.

Bridges, a market segment subject to Buy American provisions, accounted for only 12 percent of consumption in 2001, down from 16 percent in 2002. On a volume basis, post-tension bridge applications fell by 44.6 percent between 2000 and 2001, from 27,700 tons to 25,400 tons.

Page 4 shows that slab foundations and building construction have led the growth of post-tensioning PC strand demand. Consumption for slab foundation rose steadily from 42,800 tons in 1997, to 58,400 tons in 2001. PC strand consumption for the post-tension construction of buildings rose significantly between 1997 and '98, remained level

through 2000, and then jumped again in 2001.

Now, census data on residential construction activity confirm the current strength of the market, and this is shown on page 5 of my handout. The real value of residential construction put in place was steady between 2000 and 2001, but increased by more than four percent during 2002. The strong residential construction market reflects, in turn, very low interest rates.

The market for precast or prestressed concrete belongs to the domestic PC strand industry. The chart on page 6 shows that precasters' consumption of PC strand rose steadily from 284,000 tons in 1997 to 390,000 tons in 2002. In 2001, however, reported consumption declined by nearly 11 percent, to 348,000 tons.

I should not that some of the data reported by the Precast Concrete Institute and Post-Tensioning Institute exceed the apparent consumption figures reported by the petitioners. We are presently investigating why this should be so with the staffs of both organizations.

Nevertheless, we are satisfied that each data series has been developed on an internally consistent basis and provides a valid indication of

trends in each market segment.

Although precast PC strand consumption data for 2002 are not yet available, census construction activity for 2002 indicate continued market weakness, and this is shown on page 7 of my handout.

The real value of nonresidential buildings put in place peaked at $254 billion in 2002, and then declined during 2000 and then declined during both 2001 and 2002. The two-year decline was nearly 12 percent in real terms. This market weakness stands in stark contrast to the strong residential construction demand picture.

The highway market, which also includes bridges, has been weak as shown on page 8. The real value of street and highway construction, including bridges, fluctuated in a relatively narrow range during the 1998 to 2002 period, but between 2001 and 2002 the real value of construction declined by 2.6 percent. Thus in 2002, it's a down market.

Moreover, the sharp 2001 decline in post-tension bridge construction suggests that prestressed bridge activity may also be significantly weaker than indicated by the aggregate data for highway and street expenditures. In any event, it is clear that precasters' demand for PC strand fell sharply during

2001, and there is every sign that the demand situation has not improved in 2002.

In summary, end-use demand has been declining in the U.S. producers principal PC strand market, but has been increasing in the subject importers market. These opposite trends provide an explanation of why subject imports have increased while U.S. producer shipments have decreased.

I would now like to turn to underpricing. The table on page 9 of the handout provides a correct calculation of what can be found on page 13 of the public petition. Petitioners base their calculations erroneously on the average customs value of subject imports and so significantly overstated the resulting underpricing margins. The corrected figures on page 9 are based on landed duty paid values for uncoated strand. The data exclude Mexico for which reported average values are quite high, and we have done this so we won't tilt the pricing comparisons on the respondent's favor. Nevertheless, the indicated underpricing margins likely overstate the true degree of underselling to a significant degree for several reasons.

First, the import data include no importer's mark up. They simply include importer's costs. Second,

the domestic producers' data likely include products other than 270k one-half-inch uncovered strand.

Third, and most important, the data principally compare prices for U.S. producer sales to precasters with importers' prices for sales to post-tensioners. Given the economics of each market segment one would expect prices to precasters to be higher than prices to post-tensioners in the normal course of business. Precasters buy in very small volumes while post-tensioners buy in much larger volumes. It cost less to sell to sell to the large volume buyers.

In addition, PC strand makes up a significantly larger share of post-tension concrete costs than a prestressed concrete costs. Accordingly post-tensioners markets are significantly more sensitive to PC strand prices than the prestressers' market, and it's important to emphasize that the post-tensioners compete directly with reenforced concrete and rebar at the design stage and must be cost competitive in order to maintain and grow their markets.

For the preceding reasons the Commissioner's pricing product data will also exaggerate any underpricing margins. Although the pricing data are

flawed, they are nevertheless instructive. As the Commission knows, imported steel products typically sell for less than the domestic product because credit terms, interest expense related to long lead times and business risk associated with long lead times make it more costly to buy the imported product.

An underpricing margin of about 10 percent is frequently mentioned in steel cases as being more or less a normal margin.

The calculated Brazilian underpricing margin increased over the POI despite the fact that the volume of imports from Brazil fell by nearly 30 percent. Clearly, any Brazilian underpricing net could have taken no business from the domestic industry.

The Indian and Korean margins remained relatively stable during the POI at levels close to 10 percent, while the Thai margin declined during the POI to 6.4 percent.

The aggregate underpricing margin, excluding Mexico, remained very stable, at 11.4 percent in 2000, 12.2 percent in 2001 and 12.5 percent in 2002.

In sum, the price comparison which very probably overstate the true underpricing margins to a significant degree do not indicate that subject

imports have led domestic producers' prices down. Moreover, the indicated underpricing margins are not far different from what one would expect in the normal course of business given the higher cost of buying imports.

In sum, neither the market segment data nor the pricing data as it support the notion that the public PC strand imports have injured the domestic industry.

Thank you.

MR. HARRIS: Mr. Chairman, my name is Herb Harris, Harris Ellswroth & Levin. I appear here with my partner, Jeff Levin and a member of the firm, John Totaro, representing Aceros, a Mexican producer, and Cablesa, a Mexican producer representing most of the production of PC strand in Mexico. In addition, we representing two American importers that have both in the business a long time and understand the market very well.

The first is the president of Camesa, Incorporated, United States, Tom Utz, and the second is the managing director of Universal Products, which is the sole importer from Cablesa.

It is that joint activity and knowledge of the market that we would like to present to you, and I

would like to recognize, first of all, the president of Camesa, Incorporated, Tom Utz.

Tom.

MR. UTZ: Thank you.

Good morning. My name is Tom Utz, and I am president of Camesa, Inc. My company is the principal U.S. importer of PC strand manufactured by Aceros Camesa in Mexico City.

Aceros Camesa is a long-established participant in the U.S. PC strand market, and has been exporting the product to the United States for about eight years. Likewise, Camesa, Inc. is equally long established and has also been importing the product into the United States for about eight years.

We sell both covered and uncovered strand to the post-tension and prestressing industries and to distributors as well as to the end user.

To understand the nature of competition in the U.S. market for PC strand, it is important to recognize that U.S. producers account for approximately 75 percent of total shipments to the U.S. market, and that about 65 percent of that share of the market is protected by Buy America requirements at the federal, state and local levels.

That means that approximately 50 percent of

the total U.S. market for the product is reserved by statute for U.S. producers through Buy America requirements.

When procurements by government entities recede, as they have in these recent tight budgetary times, particularly at the state level, there is decline in the size of the market reserved for U.S. producers. If U.S. producers lose sales in this environment, that loss is a function of the decline in the size of the protected market, not imports from Mexico.

Actually, Mexican producers account for less than 15 percent of the remaining market in which direct competition can exist. It seems to me only natural that imports from Mexico can compete in that segment that is open to competition. Why?

First, because we operate in a NAFTA environment that is designed to and does in fact encourage trade between the United States and Mexico. Indeed, the NAFTA agreement states as its primary objective to eliminate barriers to trade in and to facilitate the cross-border movement of goods and services between the parties to the agreement.

Second, because of the geographical proximity of our operation to the United States, and

particularly to Texas, which is the only state in which we sell, we provide a natural commercial causeway for this trade.

And third, the Aceros Camesa makes a high-quality product and sells it for a fair price in the United States.

It is incredible to me that the petitioners have dismissed the official import statistics for Mexico as aberrational or erroneous. They are not. Camesa sales of covered PC strand are at a higher price than the domestic industry pricing because it is a value-added product that the domestic industry barely manufactures, if at all.

With regard to uncovered strand, Camesa's product is priced fairly, at the same level with the domestic industries and at the same level as imports from Canada, or other NAFTA partner. In fact, our prices are often higher. Indeed, our product is market-demand driven, not price driven.

If the domestic industry is claiming injury by underselling, it does not fit for my company. The facts are clear. Aeros Camesa does not export and my company does not import PC strand to the U.S. market a unfair pricing. We sell an established product often at a premium to long-term customers that are willing

to pay a higher price for our quality, our service, our availability, and for our flexibility.

For example, our geographical proximity to the substantial Texas market gives us the opportunity to provide covered strand to locations where converters are simply not present. Our geographical proximity also allows us to import product by the truckload, not merely by container or shipload, and this provides our customers with a significant degree of flexibility in their orders and permits our customers to exercise a significant degree of inventory control. This fosters confidence in our products and solidifies our relationships.

In summary, we cannot compete against U.S. producers in that substantial segment of the U.S. market protected by Buy American requirements. We do not compete against U.S. producers outside of the Texas market and the immediate vicinity of the American Southwest. There is little, if any, direct competition between our covered strand products and the domestic industry. The volume of our PC strand imports from Mexico, and indeed, the total volume of all PC strand imports from Mexico is dwarfed by the capacity of the domestic industry. Our product does not undersell the U.S. product in the very limited

market where direct competition is allowed to exist.

For these reasons, I cannot believe that imports of PC strand from Mexico are a cause of injury to the domestic industry.

Thank you.

MR. HARRIS: Tom, tell me again what share of your imports are in covered strand which are used for post-tension.

MR. UTZ: About one-third.

MR. HARRIS: And it sounds like a simple question unless you are a lawyer, if you have covered strand imported into the United States, can it be used for prestressed at all?

MR. UTZ: To my knowledge, absolutely not.

MR. HARRIS: All right, thank you, Tom.

Next, we have Thomas Mathews of Universal Products, an importer.

Tom, Thomas?

MR. MATHEWS: Good morning, my name is Thomas Mathews, and I am the marketing director for Universal Products Group, Incorporated, located in Houston, Texas.

My company is a relative newcomer to the U.S. market. We began importing covered PC strand from Mexico in late September 2001, and we are now the

sole U.S. importer of covered PC strand manufactured by Cablesa in Cautera, Mexico. This is slightly north of Mexico City.

Cablesa is an established supplier to the U.S. market. Before my company came into existence, Cablesa sold its product in the U.S. through other U.S. importers. Like Camesa, Inc., the overwhelming majority of our imports are sold to customers located in the Texas market. In fact, I would surely consider Camesa, Inc. to be our principal competitor.

Because we sell only covered PC strand, a product that is scarcely manufactured by this domestic industry, if at all, there is very little, if any, direct competition between the product that my company handles and the domestic product.

At the outset I want to state that I agree with the statements made by Mr. Utz and prior witnesses regarding the size of the U.S. market protected for the domestic industry by Buy American requirements. These requirements exist all levels of government and Buy America restriction is the overriding factor limiting competition between domestically produced PC strand and imported strand.

For approximately half of the total U.S. PC strand market there is no competition between the two

supply sources.

A second fact limits direct competition between the product that I import and the product manufactured by the domestic industry, namely, that we import only covered PC strand. Covered PC strand is used in the post-tensioning industry for office and apartment building foundations, parking structures, sports stadiums, and the slabs that support residential homes known as slabs on ground.

Since the domestic industry overwhelmingly produces uncovered strand, the product must first then be sold to converters that cover the product in a sheath, usually of polyethylene, only then is it ready for use for post-tensioning.

In contrast, our market opportunities exist when customers do not have the conversion capability in the location where that product is needed. Even where there are conversion capabilities present at the required location, there is often insufficient capacity to meet the customer requirements.

By selling the covered product and dispensing of the need for a conversion operation, we serve a valuable market requirement that is not otherwise met. Of course, our suppliers geographical proximity to the U.S. border and particularly to the

Texas market provides us with a fair and natural logistical benefit.

Covered PC strand is a value-added product. It sells for a higher per unit price than uncovered strand. The product that my company imports does not undersell the U.S. product. How can it? The domestic industry bringing the current petition makes very little of this value-added product, if any at all.

Indeed, even when you account for the value added to uncovered strand through the conversion process, I am confident that you will find that the price of the product which my company imports from Cablesa is higher than the uncovered domestic product that goes through converters to the post-tensioning market. Injury by underselling does not exist here.

Because of the extremely limited degree of competition between the product that my company imports from Mexico and Mexican imports as a whole and the domestic product, because of the premium price at which my product is sold and because of the detrimental impact that an antidumping order would have on the U.S. market and on U.S. consumers of the product, we respectfully request that the Commission issue a negative determination in this action.

Thank you.

MR. HARRIS: Thank you, Mr. Chairman.

MR. STOKES: Good afternoon. My name is Chris Stokes. I am counsel to the Brazilian exporter PC Strand, BBA.

As an country whose exports to the United States have declined by 29 percent over the POI and whose imports represent a mere three percent of the U.S. market, Brazil has a particular interest in the Commission's role as the gatekeeper in these proceedings.

One of the statutory objectives in this initial investigation is to prevent U.S. companies from extracting a preliminary injury finding from the Commission and unwarranted market protection for 12 months without being forthcoming about the real dynamics and conditions of competitions that affect their market.

In this case the petitioners are intent on testing the Commission's commitment to its duty as the gatekeeper. The Commission should rise to the challenge and prevent this case from going forward. The Commission's decision in this case should notify the petitioners that, based on the limited information presented by them and their unwillingness to disclose important facts about their industry, they need to go

back to the drawing board.

An important example of the petitioners' material omission that's discussed by previous witnesses relates to the petitioners unwillingness to voluntarily address the market segmentation between pre- and post-tensioning use of PC strand and the relevance of the Buy America laws in those sectors, but this is just the beginning.

Over the past few years I have had the opportunity to stand shoulder to shoulder with some of the petitioners here today in their efforts to oppose trade relief in various proceedings involving carbon steel wire rod, including Section 204 midterm reviews, preliminary injury proceedings, and final injury investigations. Carbon steel wire rod is the input material used to make PC strand.

Based on my collaboration with the PC strand producers in these proceedings, I found it stunning that the petition in this case and their presentation this morning do not even try to explain how their positions in those earlier investigations square with their views in this proceeding. Allow me to provide some examples.

One of the main arguments advanced by the PC strand producers in the earlier wire rod proceedings

is that they were facing enormous difficulties in obtaining wire rod to produce PC strand. The PC strand producers told us in prior proceedings historically about 70 to 80 percent of the wire rod they purchase was sourced from the U.S. wire rod mills.

In this context, the PC strand producers complained about the injury to their operations due to the closures in the U.S. wire rod industry in recent years, resulting in a loss of about 1.5 million tons in wire rod supply, about 25 percent of the U.S. production at that time.

In addition to the harm from the loss of the wire rod capacity, the PC strand producers complained about the injury to their operations due to a shift by the existing wire rod producers away from the low carbon wire rod they need to produce PC strand.

Insteel, in particular, complained that Coast Steel had reduced by 50 percent the wire rod it would sell to Insteel. Insteel also complained that due to the closure of their Kansas City facility Georgetown Steel was no longer providing the low carbon wire rod it needed. According to Insteel, "some U.S. mills were simply not accepting orders" for the wire rod they needed to make PC strand.

The PC strand producers argued that due to the increasing difficulty to obtain material from the U.S. producers combined with the Section 201 restrictions they were facing, to use their words, "a supply crisis," and this was severely compromising their operating performance.

In everyone of those earlier proceedings the PC strand producers complained about the injury to their operations owing to the Section 201 restrictions.

In the AD CBC wire rod hearings just a few months ago the PC strand producers indicated that they only way they were able to survive the supply crisis created by the reduction of U.S. wire rod production was by sourcing low carbon wire rod imported from the countries subject to the AD CBD proceeding.

It's not surprising that the effects of all these restrictions, that is, the injury from these supply restrictions, are making their way to the petitioners' bottom line. These arguments seems perfectly reasonable to me in the context of the wire rod cases, but what does not seem reasonable is the petitioners unwillingness to reconcile those arguments with their position in these instant proceedings.

When you listen to the petitioners today,

none of those factors, none of those other causes should be considered by the Commission. The PC strand producers seem to want the Commission to forget what they said in this very same room a few months ago.

A second example involves the impact of the economic downturn over the past few years on the sector served by the petitioners. In the wire rod proceedings the PC strand producers mentioned that the demand for PC strand had declined due to severe economic downturn. According to them demand for PC strand declined by eight percent from 2000 to 2001.

But if you look at Exhibit 8 in the petition in this case, it shows that the overall consumption actually increased in 2001. With the focus on the pre-tension sector it's not surprising that they testified that the overall demand increased in 2001. They were apparently talking about the demand in the sector serviced by them, the pre-tension sector.

When the Commission collects the sector-specific data, we believe it will find that the demand in fact did contract in the sector serviced by the petitioners due to what the PC strand producers called in these earlier proceeding sever economic weakness.

At the same time in the sector serviced by the imports, the post-tension sector remained healthy.

Knowing this, it is important not to reach the conclusions solicited by the petitioners that imports somehow cause the decline in demand for pre-tension in the pre-tension and Buy American sectors. This was due, and again I'm using their words, to the severe downturn in the economy.

In summary, in assessing the reasonableness of the PC strand producers' position in this case the Commission should take into account what they have advanced in previous proceedings, and ask themselves if the two positions can be reconciled.

If the Commission concludes that they cannot, the Commission should send this case back, effectively telling the petitioners they need to be more forthcoming about their industry and the market factors that affect their companies. Until and unless they meet the statutory burden the Commission must conclude there is no reasonable indication of injury.

Thank you.

MR. SUN: Good morning. I am Damon Sun, senior account executive at Cementhai SCT USA.

Cementhai sells to the California, Oregon and Washington markets. Cementhai is affiliated with Siam Industrial Wire, the largest high producer of PC strands.

Thai imports are only 1.9 million per year, and account for approximately one percent of U.S. consumption. I will address why subject imports have not caused injury and do not threaten to injury the injure domestic producers.

Imports of PC strands from Thailand have no injured the U.S. industry because we compete in significantly different market segments. Imports of Thai PC strands do not threaten to injure the domestic industry. Because of the increased demand for Thai PC strand in Asia, there is no threat of increase in Thai imports.

Any difficulties faced by the domestic industry has not been caused by subject imports, but rather, by the contraction in government spending for public projects, particularly at the state and local levels, and operational difficulties of the U.S. producers, totally unrelated to imports.

Over 85 percent of Cementhai sales are for post-tensioning residential construction projects, and only a minimal amount to the precast market. We are excluded from highest price government and commercial works market. I cannot sell imported Thai PC strands to large segments of the U.S. market. In particular, Cementhai is excluded from most Department of

Transportation infrastructure projects due to Buy American requirements.

Cementhai also cannot sell to many state and local government projects; for example, we are excluded from Cal. Trans projects and Washington State DOD projects. The U.S. producers have this protected and high-priced markets for themselves.

Our sales of Thai PC strands predominantly concentrated in the post-tension residential markets. As the residential markets boomed in the past several years demand for imported PC strands also expanded. Historically, we have not seen domestic producers emphasize their sales to residential post-tensioners.

When federal and state government projects saw a large decrease in funding in 2002, and the commercial projects dwindled, the U.S. domestic mills lost business. Importer strands were not the cause for the drop in commercial and public infrastructure spending.

Several of our customers in the residential markets have told us over the past several years that there were times that Sumiden, the only U.S. producer on the west coast, has been unable to supply them due to production difficulties. In 2001, our customers told us that Sumiden was faced with intermittent power

shortages due to the California electricity prices. These power problems caused supply difficulties.

An article in "Money News" confirmed that Sumiden got hit by more full power outages in early 2001. The president of the Sumiden plant stated that Sumiden was going to lose a half a million dollars due to their power outages and also lost a $250,000 sale for a February 2001 order because the buyer wasn't sure that Sumiden would have the inventory to fill the order. Sumiden noted that its inventory was down by 50 percent.

We also know that press reports and from our customers that Sumiden was only operating nighttime shifts and on weekends due to power supply problems in the summer of 2001.

These productivity problems caused great anxiety with our customers. In order to maintain a stable supply, our customers had no choice but to increase purchases from other sources. Faced with this increased demand in 2001 our sales increased. However, as the power crisis subsided and our customers no longer needed to rely on our products, our shipments returned to normal levels. We reduced sales by 30 percent in 2002 compared to the year 2001.

According to U.S. Census Bureau data, PC

strands imported from Thailand decreased by more than 2,290 short tons in 2002 versus 2001.

Imported strands are not the cause of the power and productivity problems of Sumiden. Sumiden's difficulties are a result of the slowdown in public sector procurement and their production problems with resulted in an inconsistent supply.

Thai PC strands does not pose a threat to the U.S. industry. Siam Industrial Wire has been operating at near real full capacity. Over the last nine months construction has been very strong in Asia. In addition, the shortage of wire rods have limited their ability of Siam Industrial Wire to produce PC strands.

In addition, the increase in Asian construction and infrastructure projects has increased the demand for PC strand in all of Asia. This demand is projected to continue to grow. Due to the conditions in Asia and the limited available capacity, there is no threat of increasing imports of Thai PC strand.

In conclusion, imported strands are not the cause of the domestic mills' difficulties. The dramatic slowdown is the domestic mills' main and protected markets cannot be attributed to import

strands. The temporary power shortage cannot be blamed on imported strands. The productivity problems and loss of sales from the power crisis can also not be blamed on imported strands. These are factors beyond our control.

Thailand has been a consistent small supplier of PC strands in the United States over the last five years. We have acted responsibly in the U.S. marketplace. Our prices have been stable and we will continue to act responsibility.

If you have any questions, I would be more than happy to answer them. Thank you.

MR. CAMERON: Mr. Carpenter, that concludes respondents' presentation. I think we are within our time limits. I would like to point out, however, with respect to the question raised by Mr. Deese earlier, which was quite relevant, you asked the domestic industry about the percentage of PC strand that goes to the residential market.

Actually what we would respectfully request you to do is to break that question down, how much precast PC strand goes to the residential market, and how much post-tension PC strand goes to the residential market, because it's our position that actually the residential market is dominated by the

post-tension, and the precast doesn't really go that much into the residential market. It's kind of the obverse of the buildings issue that we observed at the beginning of the testimony.

So I would just suggest that in light of the question that you had raised earlier.

Thank you very much, and we are ready for questions.

MR. CARPENTER: Thank you very much for your informed testimony. We will accept as Respondents' Exhibit 1 the two-page charts entitled "Post-Tensioning Institute", and as Respondent Exhibit 2 the document entitled "Staff Conference Exhibits, Statement of John G. Reilly."

We will be beginning the questioning with Ms. Messer.

MS. MESSER: Thank you for your testimony.

Before I begin asking questions, there seems to be no one here at the table from India; is that correct?

MR. CAMERON: That's correct. They have put in an entry of appearance. They are participating, but they are not appearing today.

MS. MESSER: To the extent --

MR. CAMERON: We can get their information

if you want.

MS. MESSER: To the extent that you have the information for the questions I am asking you, I would appreciate either relaying the question or providing it now if you have some knowledge of their imports.

Initially, I would like to talk about the Mexican product. You indicated that about one-third is covered, one-third of your imports is the coated material? Is that what you had indicated?

MR. HARRIS: That was the testimony of Camesa with regard to their imports.

MR. LEVIN: Yes, as Herb just mentioned, that was with regard to Camesa, in particular. If you look at overall Mexican imports, I believe it's much closer to two-thirds are covered.

MS. MESSER: Two-thirds uncovered or covered?

MR. LEVIN: There are two-thirds covered.

MS. MESSER: Covered. That's different than what, of course, we heard from the petitioners. They indicated this morning that almost every import is uncovered.

What about the other subject countries here, Korean, if you happen to know, are those imports covered or uncovered?

MR. CAMERON: Virtually all of the Korean imports are uncovered. We saw in the HTS breakout, because the HTS does break out between covered and uncovered, we saw some very small imports from Korea that are uncovered -- that are covered. We haven't actually figured out whether those are correctly classified.

MR. GURLEY: All of the imports made by Crispin were uncovered.

MR. SUN: The Thai imports are a small percentage, and probably single digit; probably about three percent are covered.

MS. MESSER: Okay.

MR. SUN: The majority of it is uncovered.

MS. MESSER: Okay.

MR. STOKES: This is Chris Stokes on behalf of Brazil. All of our imports are uncovered.

MS. MESSER: Does anybody know about India?

MR. CAMERON: Let me check.

MS. MESSER: Okay, thank you.

MR. STOKES: This is Chris Stokes.

I have the import stats for the year 2002 in front of me. India, all their imports came in under the uncovered category.

MS. MESSER: Thank you.

MR. MATHEWS: I would like to make it clear as far as Universal Products is concerned all of their imports, all of Cablesa imports are covered.

MS. MESSER: Thank you. I appreciate that.

Now, the strand before its covered, is that the same as domestic strand? Is that all the same product before its covered for all the subject countries?

MR. CAMERON: The answer to that is yes.

MS. MESSER: Okay.

MR. SUN: The product prior to covering are physically the same. When a product is covered and when a product is uncovered, there are some concerns with bondability to concrete that may affect how it's handled, but otherwise they are the same.

MS. MESSER: Okay. Your product that is covered coming in has the value added to it. About how much value is added by covering?

MR. HARRIS: I would emphasize that this is going to be an estimate because of proprietary --

MS. MESSER: If you would like to respond in your post-conference brief, that's fine too.

MR. HARRIS: I was thinking, if I may suggest, that that area would be more appropriately handled in the post-hearing brief.

MS. MESSER: Now, after petitioners' testimony this morning, I was left with the impression that the pre-tension and post-tension strand were used in the same applications. And after your testimony, I am left with the impression that no, that's not the case; that the pre-tension strand is used in bridges and post-tension is used in buildings and slabs.

Is it different for the domestic products and the imported product, or is petitioners' testimony incorrect?

MR. CAMERON: Well, I think that -- I will turn it over to the experts. There is overlap in uses in terms of bridges. In other words, the handout that we gave you with respect to post-tension, you will see there are bridges there okay?

That is a small segment of the post-tension market. It is a much larger segment of the precast market. In other words, the applications are going to vary depending upon the type of construction you are doing. In part, that relates to the percentage of concrete and steel that you are apply, as the witness from Crispin can talk about a little bit. There is going to be a very big difference in the cost of the steel relative to the construction, depending upon the method of application.

So in the end product, if the end product is a bridge or the end product is a house, yes. Are they both used in these applications? Yes. Are they both used in the same proportions of these applications? No, and that really gets to the points.

MS. MESSER: Why would --

MR. CAMERON: Do you agree with that?

MR. DICKERSON: Yes, we agree with that.

MS. MESSER: Why would an end user building a bridge decide to use one rather than the other? Is cost a factor? Is product quality a factor?

MR. REILLY: This is an economist answer to the question, and I would not recommend that anybody even approach a bridge that I designed, but some considerations would be, for example, the specific type of bridge, the load it has to carry, the span it has to cover, and the method of bridge construction may have a bearing on whether prestressed concrete is being used or whether post-tension concrete is used.

There are a lot of project-specific and bridge-specific elements to take into consideration.

The one point to emphasize though is that when the decision is made to use a particular type of construction method, that decision occurs at the design stage, and that design usually occurs well

before ground is broken for the project itself, so that short-term fluctuations in the price of say PC strand versus concrete versus rebar probably aren't going to have much of an effect on those kinds of decisions. It's more the long-run price relationships.

And it can be a fairly complex equation because you have got to take into consideration in these building projects which are complicated not only the cost of concrete, the cost of steel, but also the cost of labor and the cost of transportation; whether, for example, you have enough site access so you can bring in big trucks carrying big precast components. So it's not a situation where, you know, you can make a cut and dried easy answer.

In addition, it's also quite possible that you could have a building having both precast and post-tension component, different components of the buildings. For example, the slab on which the building is built, the ground slab may well be post-tension. They may have components of the building like outer facings and so forth that are precast.

MS. MESSER: And they were equally as strong and --

MR. REILLY: Different applications.

For example, a slab on which the building is built has to bear the load of the building and has to remain stable possibly in unstable soil, whereas a wall component, let's say the exterior wall component that you are hanging on the building foundation, building structure, may not have to have nearly the kind of load bearing capacity that that slab would.

MR. GURLEY: This is John Gurley.

I think if you remember the hearing testimony today from petitioners, they mentioned that the big growth area was in the slab on ground, and they freely acknowledged that that was really a post-tension application.

MR. STOKES: This is Chris Stokes, the Brazilians.

I think maybe another way to say what John is saying is that PC strand is not sold to bridges. The PC strand is actually -- the point of competition is the customer that is going to use it for something, and so the relevant inquiry is sort of the guy who is going to use it for post-tensioning or the guy that is going to use it for pre-tensioning, is there competition there.

If you get to the downstream areas, I think things are so defused because you have different, you

know, engineers. My client told me that in pre-tension market the engineering costs are significantly higher, so then you are looking at a whole package of how to build the building. You have more engineers on site. You have different considerations. And what happens in that downstream decision of how to build the building, the PC strand becomes an almost immeasurable variable in that decision.

So it's more sort of at the point of sale to the customer that's going to use it either for pre-tension or post-tension is where we think the Commission should focus its attention.

MS. MESSER: Okay, thank you.

MR. DICKERSON: May I just add that many of us are not engineers and experts. The customers are experts. But it is a fact, and I think everyone would agree, that the precast is used substantially more in building bridges and in the highway. It could be design, it could be whatever, but that's fact. And the market, as John was saying, for side-long grade in fact is the post-tensioning. That's the way that the system works.

Some of these are pretty difficult engineering questions for us, and please forgive us, we don't know those answers, but we know what happens,

and that's what happens.

MS. MESSER: Well, I think effectively you touched on the next question I had regarding your first exhibit here on why such a larger portion of the precast is Buy America, and why a smaller portion is Buy America for post-tension.

Do you have anything to add on why Buy America tends to be pre --

MR. REILLY: This is John Reilly.

The reason is that the public works sector, specifically highways and bridges, with concentration on bridges, makes significantly greater use of prestressed concrete than post-tension concrete, and you can see that also in the aggregate date.

MS. MESSER: Do you know why?

MR. REILLY: I'm not an engineer. And that's why the Buy American concentration would be higher.

I want to note one thing about our Buy American figure. A Buy American figure of 60 percent of the prestressed concrete market includes not only DOT programs but local government programs wherever they may be, state government programs wherever they may be, and also the private Buy American programs, and we heard that alluded to with reference to the

construction of the sports stadium in Houston.

On a weighted average basis, our figure for the entire market for PC strand would be about 48 percent, which is considerably higher, of course, than what the petitioners have estimated, and that's why we think it's very important that the Commission gather the data to sort this out.

MS. MESSER: All right, thank you.

I would like to go back to the covering operation for those who import the uncovered product. Do you then subcontract out the covering or does your customer do the covering?

MR. CAMERON: Well, I can speak for the Koreans and the importer can speak for himself. We sell to importers or directly to the converters. The converters are not the end users. The converters sell the product to end users, but they have to go to the converter who does the covering.

Many times we sell to importers such as Crispin and Crispin does that and sells that to the converters, but we don't subcontract. We sell.

MS. MESSER: Are these converters the same ones that the domestic industry uses or do they use a -- they indicated that some of them may have had tolling operations, I mean, tolling for different

companies that are involved.

MR. DICKERSON: Our post-tension customers have an investment in machinery and equipment in which they apply the casing, the covering. We can't get in that business or we would be competing with them, and generally you are either in or you are out.

So most people, I think, who bring in -- practically all -- uncovered material sell it uncovered, and the customers may either put it in precast or they -- most of our customers are in the post-tensioning business, and they put -- well, practically all of them are. I don't know what percentage -- like 90 percent in the post-tension, and they have machinery and equipment, and they do that job, some big ones will furnish engineering for it, and they deliver -- our customers do all of it. We have no value added.

MS. MESSER: Okay.

MR. CAMERON: We believe in answer to your question though that the conversion industry is not exclusively import or domestic. They convert both. And then as you know from the testimony of some of the domestic industry, they have their own facilities. But if they subcontract, then they are going to be subcontracting to these same type of converters, we

would expect, but you should confirm that with them.

MS. MESSER: Okay. For Thailand, the same?

MR. SUN: Yes, we sell to the user who converts them who they, in turn, then sell it to the engineering company or the contractor when they cut to size.

MS. MESSER: Okay, and Brazil the same?

MR. STOKES: Chris Stokes on behalf of Brazil.

Yes, I think you will find that everybody except the Mexicans have decided to work through the extruders and not to go around them for fear of what the Crispin witness just said, to not antagonize them. We basically -- they are your customer in one sense, and then if you try and go around them and bring in the extruded wire, there is going to be some friction in that relationship, so we are purely uncovered.

MR. LEVIN: If I may also, first of all, to make sure that our importers from Mexico are not putting off any converters here, there are reasons why there are imports of covered strand from Mexico, and I'll let the witnesses speak to that.

But I do want to just touch on a related point. I was hoping to be a little bit more enlightened by the petitioners' testimony this morning

as to whether or not the domestic industry makes any covered strand. Their lead-off witness said that American Spring Wire doesn't produce, but other domestic producers do.

If I understand correctly, all three of the petitioning companies stated this morning that they do not manufacture covered strand.

So I am still sitting here having read the petition, having sat through their testimony, without a clear understanding as to whether or not there is any covered strand production by domestic PC strand producers.

MS. MESSER: Hopefully, if that was not clear as we read the transaction, hopefully the petitioners will make that clear in any post-conference brief.

What then is your position if -- okay, we have these converter out there. Are they part of the industry or not? What's your position?

MR. LEVIN: From the position of the Mexican importers and Mexican producers, we will explore that issue in the post-conference brief with your indulgence.

MS. MESSER: Okay. Anybody else like to add?

MR. CAMERON: We're looking at it.

MS. MESSER: Okay. As far as the domestic like product, there was no mention of that in your testimony this morning. Would you like to comment on that? Do you think the Commission should look at anything other than what it has decided in the past on domestic like product as in the scope?

MR. CAMERON: As counsel for the Koreans, and others may have other views, I guess I have just two things.

Number one, we come into this hearing understanding the database that this Commission is working from. We therefore are making our arguments based upon that database and that like product definition. We are going to look at that issue. Clearly, this was not the like product, for instance, in the 201 case. It's an issue that we would like to reserve on.

But for right now what we are saying is let's assume their like product definition. Let's assume their definition is correct. It is PC strand. Fair enough. They don't have a case, and therefore we are trying to get this case terminated now like it's supposed to be not based upon like product definition where you are not going to have a database, but rather

based upon the database that you are accumulating based upon a like product as defined by them.

MR. HARRIS: We agree with what Don just said.

MS. MESSER: I'm sure it would be very helpful for us, I'm sure our attorney would agree, if you in your post-conference brief would discuss the six products that we normally look at.

MR. CAMERON: Fair enough.

MS. MESSER: Thank you.

One last question. By the way, the APO really is available and ready in our secretary's office to pick up. After you have looked through the APO release and the responses that we have gotten from the foreign producers, I would be interested in your input as to who is missing and how much coverage that we have.

MR. CAMERON: Ms. Messer, we would love to do that, and we would agree to do that. We would also like to make a request, and I don't know whether the petitioners will join in this request, but given the delays in getting APO data because, of course, the government was closed because of forces beyond all of our control, it wasn't imports that caused the snow, and what we would like to request for your

consideration is that the briefing be postponed for two days in order to take into account the delay in getting the APO data which was available to us but was still delayed due to the snow.

It's just a thought. It's a request that you consider. Thank you.

MR. LEVIN: Let me just add on that also. Since the APO service list was issued yesterday, I believe I am correct, under the regulations there is a two business day requirement for serving APO material. So it is very possible that we will not see some of the APO material until Monday.

MS. MESSER: That's incorrect. I have decided with this APO release that all documents that I have received regardless if they are party documents or not will be in this release. You will see everything that we have today.

MR. CAMERON: And by the way, the request that I made was not a criticism of petitioners. Petitioners -- no, but it's important to say this. I mean, petitioners have been very forthright in serving us as soon as we had been on the APO. We do thank them for their consideration in that. This is not an issue of complaints about anybody jiving us. This is just an issue of logistics.

I don't know whether the petitioners will agree or disagree with our proposal, and of course the Commission may tell us they don't care whether we all agree with that.

MR. CARPENTER: I would just like to add that even though there was a delay in compiling the APO service list in this case due to the weather, our traditional practice in preliminary phase investigation is to have our first APO release on the day of the conference, and to have the briefs due three business days after that, and our plan will be to stick to that schedule unless there is some compelling reason to do otherwise for all of the APO material that is being released today whether it's party or nonparty documents.

I will turn now to Mr. Rees.

MR. CARPENTER: Mr. Rees.

MR. REES: Thank you, Mr. Carpenter. Thank you, members of the panel, for your testimony today. Still digesting the information presented.

One point about, perhaps it's semantics, but I want to make sure I understand it, there is such a thing as prestressed concrete, and these notions of pre-tensioning and post-tensioning, as I understand it, are concrete construction applications for

prestressed concrete.

Am I right about that?

MR. CAMERON: Yes, I would say that you are right about that. I would suggest to you, however, that it was implied that the physical characteristics of the PC strand itself are identical for pre- and post-tension.

Now, when you got into the details this morning, it became clear that actually for pre-tension it is uncovered and for post-tension it has to be covered. It's either covered by the producers, such as the Mexicans, or it is covered by converters such as the imports that then come in and are covered by converters so that they can be used.

And as you have also heard today, uncovered PC strand cannot, at least as far as we are aware, is not used in post-tension application.

MR. DICKERSON: Yes, we agree with that. The term "stress" and "tensioning" are interchangeably used. And when you prestress you tension and put on the concrete and concrete bonds to the strand. And the reason why you can stress post is because it's encased in this polyethylene sleeve with grease, so that when you stretch it, then they put an anchor on each end, and that anchor is permanent, and I guess

technically you could disengage the anchor and pull the strand out.

MR. REES: Mr. Mathews.

MR. MATHEWS: And that prestressed concrete is simply concrete that has had stresses induced into it prior to its service loads, before you park cars on it, before you load it up with file cabinets and lawyers in a building. It's just prestressed concrete.

If you prestress it with --

MR. HARRIS: Watch your conduct.

MR. MATHEWS: Sorry. Or congressmen, either one.

You can prestress it with steel bars, you can prestress it with strand, you can prestress it with wire.

Post-tensioning and precast prestressed concrete are divergent technologies of prestressing concrete as are prestressing with bars or wires. They have differences in the methods that are employed. Transportation application and forced transfer to concrete are very different.

MR. REES: Right, and they are referring then to the application of the concrete. They are not referring to any difference between the PC strand

itself, correct?

MR. MATHEWS: Just in the way its used.

MR. LEVIN: Well, for construction, for example, as we have demonstrated from Mexico, you can say this is a PC strand in the middle of it, its like you could say IWRC in the middle of it. The fact of the matter is that you have a product that is covered by greasing it, and then by a plastic cover on it, and that's the product.

The center of it may be identical with the uncovered strand but it certainly is a product -- all of the product that is brought in from Mexico is that kind of a product, which is suitable for an application that prestressed or regular strand is not suitable for.

MR. REES: Now, I understand that the product coming in from Mexico, as you have testified to, it is covered product, it's covered PC strand or most of it. I can't remember the precise break of it you described.

MR. LEVIN: Let me, just to make sure to what we testified, all of strand that the Mr. Mathews' company imports is covered. Approximately one-third of the stand that Camesa imports is covered strand.

MR. REES: And if I understood the testimony

correctly, all of the other imported, or the imported product from the other subject countries is all uncovered.

MR. CAMERON: Virtually all, correct.

MR. REES: So I would like to know if you agree with this point that was raised, that I raised in the testimony this morning on this question, and it's simply whether -- I want to make sure I get the language correctly.

Is it a fair characterization that the vast majority of PC strand imported into the U.S. is half-inch grade 270, low relaxation, uncovered PC strand?

MR. CAMERON: We will have to check on that. We have not been arguing about the dimensions. What we have been arguing about is whether or not there is a significance between the difference between pre-tension and post-tension, which is also something you asked about this morning, and whether there is market segmentation. And the petitioners responded no, that is not market segmentation.

And I guess I would suggest to you that if that's not market segmentation I don't know what is. And if they don't think it's market segmentation, then we would like them to take their pre-tension PC strand and put it in a post-tension application without

grease and without a sleeve and see whether anybody is going to put a garage on it.

MR. REES: Has the technology in terms of, if any of you can answer this, has the technology in terms of pre-tensioning and post-tensioning changed since say 1978, over the last 25 years, if you know.

MR. MATHEWS: I'm sorry, my hearing is bad and I didn't hear the first part of your question.

MR. REES: Has the technology in terms of post-tensioning and pre-tensioning changed?

MR. MATHEWS: I would say there have been improvements but virtually it's the same.

MR. REES: On this question about market segmentation, is it your testimony that the domestic industry is not in the post-tensioning business?

MR. CAMERON: That is not our testimony. Our testimony is that they are a much smaller participant in the post-tension segment, number one; number two, that the bulk of their participation is in the precast or pre-tension market where there is very, very little import competition; and number three, that the domestic industry, when you are talking about market segmentation, also has huge parts of the precast, which is covered by federal, state and local Buy American, Buy American.

And in their post-tension, there is also Buy American coverage because, to the extent that post-tension is being used for bridges, most of those bridges are funded through some Department of Transportation or federal or state or local funding which is covered by Buy America. Therefore, we estimate that it is going to be almost 100 percent of bridges, for instance, are going to be covered.

To the extent that buildings use post-tension and yet are federally funded buildings, yes, we believe that they are covered by Buy American, which again is the reason that we have requested that the domestic industry be requested to breakdown now only the pre- and post-tension, as the Commission has already asked them to do for the three years in the period, but within the pre- and post-tension how much is Buy America. They can do that.

MR. HARRIS: I think the term of art that the Commission employees in this situation to describe what the panel has been describing here this morning is attenuated competition.

MR. REES: And the same would hold on the other side. In other words, you are not saying that the subject imports are not in the --

MR. CAMERON: In the precast market?

MR. REES: -- precast market?
MR. CAMERON: No, we are not.
MR. REES: You think they are --
MR. CAMERON: We are saying they are small.
MR. REES: Okay.
MR. CAMERON: But we will --
MR. REES: I understand. I'm just trying to get a sense --
MR. CAMERON: Yes, yes. No, no.
MR. REES: -- of where the segmentation lines, how distinct are these lines that the respondents are presenting to the Commission.
MR. CAMERON: The question is extremely reasonable, extremely logical, and frankly, given the petition it's a miracle that you are even able to formulate the question because you didn't have any background until we walked into the hearing today. So I commend the Commission for actually looking at the issue.
Yes, I mean, what we are saying is that. Do imports compete in the precast market? Yes, they do participate, and we will get that breakdown from our clients to the extent that we can.
Our estimate based on talking to our clients was that it was -- their participation in precast was

less than five percent of the import volume. Now, I don't know that it's as much as that, frankly, but that's our estimate. We are trying to get better, and we will submit that data to you. All of the respondents are committed to trying to get that data, and we think that's the way it's going to break out.

MR. REES: Okay.

MR. GURLEY: Mr. Dickerson previously testified that the Crispin sales to the precast market were well less than 10 percent.

MR. REES: Now, let me follow up on that point.

Mr. Dickerson, and this putting perhaps a finer point on this basic question that I'm trying to flush out, but if I understood your testimony, and I can't remember all of the precise percentages, but almost all the product that you import is uncovered. Hold on.

MR. CAMERON: One hundred percent.

MR. REES: One hundred percent, okay.

And your customers, those to whom you market, the end user, is almost all -- I can't remember the percentage, you can correct me or fill it in -- is engaged in construction using prestressed concrete in the post-tension application, correct?

MR. DICKERSON: I would say it's almost all in the concrete. I wouldn't say prestress.

MR. REES: Okay, that perhaps gets to the semantic point, and I won't revisit that. That was up front.

Just so everyone understand though, when I am referring to prestressed concrete, I'm going to assume that prestressed concrete can have either of these applications. Now, I understand I have heard from some of the witnesses who might use the term a little bit differently.

But in terms of your customers, and you can put this in a post-conference brief if you prefer, how is it that the domestic industry is not competing with you for your customers even to the extent that your customers may use, ultimately use the product in prestressed concrete post-tensioning application?

MR. DICKERSON: That's been a tradition they preferred and apparently all of their construction, financing and past successes have been built on the model, concentrating on the Buy American segment of the industry, and there is a lot of guessing that it must be very lucrative since it doesn't have any effective competition except amongst themselves.

And in times of stress and we are not really

able to tell why they are stressed, but they might venture into this other market.

MR. CAMERON: Again, it's not to say that there is not competition to the extent that they are both in the post-tension market. But I think it does need to be repeated that the "customer" of the importers in the post-tension market are actually converters, some of whom are being used by the domestic industry as subcontractors, or at least that's the testimony that we heard this morning. But then they have to have an ultimate user of that product, and that really is the point.

MR. DICKERSON: I might add that we have never tried to compete with our customers like the domestic mill wanted to sell into this market, and also have a plant they constructed to do that business. You can imagine what a difficulty that was.

MR. REES: Thank you for your testimony.

MR. CAMERON: Mr. Rees?

MR. REES: Yes, sir.

MR. CAMERON: Didn't you ask this morning about nonprice factors?

MR. REES: I'm sorry?

MR. CAMERON: Didn't you ask this morning about nonprice factors?

MR. REES: Yes.

MR. CAMERON: And if I may.

MR. REES: Yes, please.

MR. CAMERON: I mean, the domestic industry this morning referred to the nonprice factors, and, well, you know, there is transportation costs, okay. Well, that's fine. What they didn't mention is really the two most basic nonprice factors which has essentially been the thrust of our testimony.

The pre- and post-tension market structure is a very basic nonprice factors because, again, these decisions on whether -- you know, what usage you are going to do and what method of construction you are doing, are you doing pre-tension, are you doing post-tension. That's made long before the decision on purchase is made. All right? That is a very major nonprice factor in this market.

The second nonprice factor that -- I mean, again, I was surprised not to have it explained to me by the domestic industry, is Buy America, which is a rather large 800-pound gorilla sitting over in the corner there which is a nonprice factor since, of course, our prices aren't going to compete in that market. So we would add that in addition to the explanation. Thank you.

MR. REES: Mr. Reilly, this perhaps goes in your direction, the use of AUVs. Can you again explain whether respondents think, are underselling comparisons based on AUVs probative in this investigation?

MR. REILLY: No, no, I don't, and I think for the reasons that I stated during my testmiony. The AUVs of imports from -- even under one HTS number, the uncovered HTS number, are probative for a number of reasons, including the fact that they represent the importer's cost and exclude the importer's markup. And unless the importer is simply passing through the landed cost, those prices understate what the actual selling price in the marketplace would be. And I think if you examine some of the importers' questionnaires on the pricing product data and on the trade data where they give the value of the imports and the value of the product, the imported product that's shipped, you will find that there are indeed importers' markups taken by a number of importers.

Number two, the basis for comparison is an aggregated price figure that's been developed by the domestic industry, and quite frankly, we don't know what's in that number, but we do know that 25 percent, roughly, of what the domestic industry produces is not

270K one-half-inch uncovered strand. It may be strand of a different dimension. It may include some covered strand. We don't know.

So that basically our concern is that the figure that has been put forth by the domestic industry in its petition is a figure which actually is for a group of products that are not directly comparable with the imported product coming in under the uncovered HTS.

We believe that the pricing product comparisons also are flawed. You know, one could say that while we can't use AUVs, the logical thing to do would be to use the pricing product comparisons that the Commission has developed, the quarterly data.

The problem there is that there is a significant issue of apples and oranges because basically what you are comparing is the prices for product from the domestic industry going principally to precasters with the prices for products from importers going almost entirely to post-tensioners.

And as I noted in my testmiony, there is every reason to believe that the prices to precasters should be higher for two reasons. You know, number one, they buy -- the individual precasters at their individual factors buy in much smaller volume on a per

order basis than the post-tensioners do, and that simply means that it costs less to sell to a post-tensioner than to a precaster. That should be reflected in differential prices, and that's a very -- what we would consider to be a very significant differential. And the other, of course, is simply the different structure of the market.

MR. STOKES: This is Chris Stokes.

Just to follow up on that. What I found as I started to look at the questionnaire responses, and you may have already plugged into this, but if not, it may be helpful, everybody has to list their customers. I think I am correct in saying that those customers are either post-tensioners or pre-tensioners. And it will be interesting for you to compare the guy who imports from Brazil, look at our list of customers, and almost by name you can pretty much tell whether they are post-tension or pre-tension.

And then look at the customers on the other folks that submit questionnaire responses in this proceeding, and that will tell you whether or not you are comparing apples to oranges; whether or not the matrix of prices any given questionnaire has given you whether or not it makes sense to line that up against another questionnaire, and I think that will also

buttress John's point about that, or Don's point which is apples and kumquats.

MR. CAMERON: Sorry. Just one other thing just to follow up on on what John was saying. If you look in the questionnaire, one of the issues that you ask is what is the difference in the cost of the PC strand relative to the construction or the application or whatever. And I think that you will see that when you look at data the relative cost of the precast PC strand to the overall construction of precast is much smaller than the overall contribution of the post-tension strand to the post-tension construction.

And I think that this again, this is an important point, and of course it's reflected throughout which is the reason that you need to have the breakout of the data.

MR. REES: I think to expedite things I would just request that as you are preparing your post-conference submissions, we have heard about the like product issue. Obviously, you are going to explore that, and the domestic industry issue, to the extent there is an issue, you think there is an issue there.

I would like you to raise, I haven't heard it raised here, I won't ask you to testify about it,

but raise it obviously if you think there is an issue, whether there are any related parties issues that the Commission ought to be considering.

I haven't heard any dispute in your testimony as to cumulation. Please address cumulation in your post-conference submissions, including whether you would if you ultimately take the position concede cumulation for purposes of this investigation at this stage, or whatever your position might be once further developed.

And I look forward to seeing, obviously, considerable discussion, which I would expect, on conditions of competition.

Thank you.

MR. CAMERON: Mr. Rees, we will be glad to do that. Our discussion on conditions of competition would be enhanced considerably if the domestic industry would be requested to provide a breakout of their Buy American and non-Buy American shipments.

MR. REES: Thank you.

MR. CARPENTER: Mr. Deese?

MR. DEESE: Do any of the importers import the epoxy-coated product?

VOICE: Thailand does not.

MR. GURLEY: Crispin does not.

VOICE: We don't believe so, but we'll check.

MR. MATHEWS: I would react that as was testified to this morning that is a very small margin with very limited application and significance.

MR. DEESE: Mr. Mathews, you were talking earlier about substitutes and maybe you had a somewhat broader view than was expressed this morning. For example, I would guess maybe when we were talking about the concrete slabs, that perhaps a concrete slab with rebar is a potential substitute for a pre-stressed concrete slab.

Could you I guess expand in general about what substitutes there may be for pre-stressed concrete slabs and also the pre-and post tension concrete, what substitutes it might have.

MR. HARRIS: Substitutes for PC strand we've heard testimony this morning that if you're going to pre-stress concrete you have to have strand and that's not correct. There's much use of wires and steel bars and other things that are used to put forces on concrete.

With regard to substitutes for concrete building systems, the decision would be made as has been said before in the design phase, whether an owner

or a designer would prefer a different structural system of some type.

MR. DEESE: I don't want to talk too much about the pre-cast versus the post-tension distinction, but in your post-conference brief, it seems like we've identified some applications such as bridges that are almost always pre-cast and maybe these concrete slabs are almost always post-tensioned. If you have any more information about the kinds of applications that might all into this tension, can almost all applications be made with both, or some made with only one or the other? If you can address that in your post-conference brief that could be helpful.

Mr. Reilly, when you were talking about the distinction between the pre-cast and the post-tensioned product or the end uses and prices, you were saying that there were two reasons why the prices to the so-called pre-cast market might be higher and one of those reasons was that the pre-cast volumes were much smaller. But I wasn't sure what the second reason was.

MR. REILLY: The first was the order volumes, individual order volumes for the pre-casted is much smaller. The second is what Don actually

mentioned a few minutes ago and that is that the pre-cast concrete ratio in steel to concrete is much smaller than the ratio of post-tensioned steel to concrete. In other words post-tensioned concrete is more steel intensive, more strand intensive. Significantly more strand intensive than pre-cast. That means that the strand makes up a higher percentage of the total cost. Therefore the price elasticity of demand for strand for the post-tensioning is greater than the price elasticity of strand for pre-casting.

In terms of competition, especially between the strand use in post-tensioning and rebar would indicate that the post-tensioned concrete, the demand for that is significantly more price sensitive relative to strand that would be in demand for pre-cast.

I should mention that in terms of slabs, footings, foundation slabs like for single family housing or for buildings, there really isn't any competition there between post-tensioned and pre-cast. It's very tough to get a slab big enough for a foundation for a single family house on a truck. You can't move it. That has to be poured in place.

So in terms of the slab, slab on grade, the

real competition there is between post-tensioned concrete and rebar, reinforced concrete with rebar.

MR. CAMERON: Just to follow up, I'm sure you figured this out already from the testimony this morning is but the other reason there is going to be less price elasticity or higher prices for the pre-cast is that even assuming what the Petitioners stated this morning which was buy America is basically the same percentage for both pre-cast and post-tensioned, we don't happen to agree with that statement but let's just take that as an assumption. Let's also take the assumption that they stated which is that the post-tension market is one-third and the pre-cast is two-thirds.

That means that in the pre-cast market you are going to have proportionately a much larger percentage in terms of volume, dollar volume of projects that are federally funded subject to Buy America, and that does also, we believe, help increase the price.

MR. DEESE: You don't necessarily have to answer this now either, but how did you estimate the percentage the market that's Buy America?

MR. DICKERSON: In our case it's just an observation about the volumes that we see pass through

the market to one customer as opposed to another. Our customers have almost no Buy America, but we see other activity. We don't have statistical, we rely on the economists I think will provide one.

MR. REILLY: I think I probably should take a stab at this.

For the post-tensioning market we looked at the percentage of post-tensioning consumption as accounted for by bridges and it ran between 12 and 16 percent over the past three years, so we estimated 15 to 20 percent based on that, with some allowance at the upper end for projects that may be Buy American but aren't bridges.

On the pre-cast concrete segment there are no good end use data, in fact there aren't any end use data. Basically the number comes from a consensus of judgment among the importers who are knowledgeable in the market. In other words, there are no hard data behind the estimate and that's the very reason why we've asked the Commission to get the definitive data on this issue.

I think the data that the Commission collects will be what defines the size of the Buy America segment in the pre-cast segment.

That said I would also like to emphasize

that we believe that the definition, proper definition of Buy American is federal programs plus state programs plus local programs plus any private programs of consequence such as the sports stadium that I talked about. It is not restricted to DOT infrastructure programs. Thanks.

MR. CAMERON: And to make the point which I think you probably have heard already, the reason we are estimating this number is of course the issue of Buy America was not even disclosed in the petition much less discussed extensively this morning. The data is in the possession of the domestic industry.

So we are estimating at least in the post-tensioning, we have a basis based upon the end use whether it be bridges or its works and then a portion of buildings. What it is for pre-tensioned, pre-cast, again, it's based upon the market estimates of the people who are in the business. We have asked the Commission for that very reason, we need to get some more data so the Commission can actually make a hard decision on it.

MR. DEESE: I have no further questions.

MR. CARPENTER: Mr. Stewart?

MR. STEWART: I have no questions.

MR. CARPENTER: Mr. Lenchitz?

MR. LENCHITZ: Harry Lenchitz, Office of industries.

My first question, Mr. Sun, I believe you told us your market consisted of the three West Coast states.

MR. SUN: That's what we sell to.

MR. LENCHITZ: Geographically it's a very long, narrow market. Is this a business decision or -- We know this product is fungible and we've heard from others who tell us they sell everywhere. How did you guys decide to or end up limiting yourselves to three states?

MR. SUN: It's because of the logistics involved. Trucking costs. We pretty much import to Seattle ports, Oakland ports, and Los Angeles ports. What we find is moving from containers anywhere outside of a range of probably 200-250 miles, that trucking cost becomes quite expensive. So what you'll find is that people generally will import within 300 miles of whatever the closest port is. It should be the same case I suspect for the domestic producers, too. That the cost of the trucking, you're not going to send something from Stockton all the way out to New York or something.

MR. LENCHITZ: Thank you.

My second question, we've heard a lot of discussion on the post-tensioning sector of this industry but I've heard nothing addressing the distinction between internal and external post-tensioning and I'd like if anyone here wants to comment or in their post-conference brief whether you're talking about, is there an industry segmentation there either in your customers or in the applications?

MR. CAMERON: If I understand the question you're saying that there is a difference between internal and eternal post-tensioning, is that correct?

MR. LENCHITZ: Those are two very dissimilar processes and I'd like input from anyone as to whether you --

MR. CAMERON: Are you suggesting a difference between internal and external post-tensioning or a difference between tensioning after, in other words which is post-tensioning and pre-tensioning which is before? I'm sorry.

MR. LENCHITZ: Mr. Cameron, I'm not suggesting, I'm addressing the fact that there are internal and external post-tensioning and I'd like to hear from anyone regarding this.

MR. CAMERON: These are the guys who would

know the answer to that.

MR. SUN: I have no idea what the difference between internal and external post-tensioning. I don't know.

MR. GURLEY: There may be some confusion on our side, I apologize.

MR. DICKERSON: It's not a term we normally use, external tensioning, because all of the tensioning that we're familiar with for strand is done inside the concrete.

MR. LENCHITZ: Mr. Dickerson, I thought you might be the man to address that --

MR. CAMERON: It's the compressive force of the steel on the concrete that gives it the strength. And the reason it gives it strength is it's inside the concrete and in the case of pre-stressed it's stressed, bonds to concrete, then they release the applied stress and the stress remains.

In the case of post-tensioning they put the plastic covered steel inside the concrete and tension it after the concrete sets up, the concrete doesn't bond to the steel because it doesn't come in contact with it, and they leave the anchors on each end secure to maintain the tension through the life of the product.

MR. LENCHITZ: That does explain internal post-tensioning. If anyone wants to address external post-tensioning I'd sure like to hear more about it.

MR. CAMERON: We'll check it out.

MR. MATHEWS: Thomas Mathews, Universal Products Group.

Our clients would be the experts on the differences between internal and external post-tensioning, but briefly, external post-tensioning tendons are tendons that are anchored in concrete or on concrete but not actually embedded in concrete. It's a method of constructing segmental bridges or making repairs which is largely domestic material, I believe.

MR. LENCHITZ: I thank you sir for that explanation. Is there any way we can determine if that's a significant part of the PC strand usage?

MR. LEVIN: We'll try to gather any available information on that point and if we do get available information of course we'll be happy to pass it on in our brief.

MR. CARPENTER: Mr. Deyman?

MR. DEYMAN: I'm George Deyman of the Office of Investigations.

Thank you also for your very helpful and

interesting presentation.

With regard to the imports from Mexico it was pointed out several times today that the official statistics show that the imports from Mexico are at a much higher unit value than the other subject imports. The Petitioners suggested that perhaps there was a misclassification problem or some other problem with the import statistics.

Is it your contention that for purposes of our staff report when we report import data that the imports from mexico are indeed essentially correct?

MR. LEVIN: It is our contention that the special Census Bureau statistics are correct, that they will be corroborated by information in the importers questionnaire.

Curiously enough, although the Petitioners were quick to characterize the data as aberrational or erroneous, they have not indicated any efforts that they've made to verify that information which the Census Bureau could of course do.

But I do want to just point out one or two quick things. If they are, for the sake of argument, aberrational, they're consistently aberrational through the three years of the period of investigation.

Also it's very very interesting to me when I looked at the average unit value that the ITC's database compiles, and putting aside of course the issue of covered strand which is part of this because that's a valuated product and is going to have, by nature, a higher average unit value.

But if you just look at the category four, the uncovered strand, and I'm looking at unit values here to date 2002, I guess it's January to November. The Mexican unit value is not even the highest and it's right in the same ball park as Canada which interestingly enough is the other NAFTA partner, and it's right in the same ball park with Italy and Spain which jump out at me. All of those are significant foreign suppliers, so the data is not skewed by low volumes in any of those instances.

But anyway, short answer, they're correct.

MR. DEYMAN: All right, I will ask a question that I asked this morning of the Petitioners and that is the fact that the imports from Brazil apparently have declined by I believe it was 29 percent or so. Is there anything different about the product from Brazil or any other reasons why the imports from Brazil seem to be declining so much?

MR. STOKES: The product is the same. There

is various decisions that have been made by the Brazilians to sell and I'd love to address that in my post-conference brief as opposed to sharing that with everybody here.

MR. DEYMAN: There are three importers I believe represented here today, Crispin, Universal Products Group and Cementhai.

VOICE: And Camesa.

MR. DEYMAN: And Camesa, four importers.

Do each you import from only one of the subject countries or from all of them? I'd just like to know if there are kind of different channels in the imports.

MR. HARRIS: If I understand your question, Mr. Deyman, with regard to Universal Products they import only from one source and one country. That's Mexico and Cablesa. With regard to Camesa, Incorporated of Mexico, they import also only from one source, that is Aceros in Mexico. Is that responsive?

MR. DEYMAN: I want to have on the record the fact of whether importers, at least this group of importers, are importing from one or more of the subject countries. Thank you.

What about Cementhai and Universal Products?

MR. MORAN: We import from Korea and small

amount from Brazil. We buy some Mexican product, but after it's imported.

MR. SUN: Cementhai only imports from one source in Thailand.

MR. DEYMAN: But otherwise with regard to the uncovered product which is coming in from all of the subject countries, maybe not so much from Mexico, are there any real product differences among the uncovered products coming from the different countries?

MR. HARRIS: I would just point the Commission to our questionnaire.

MR. DEYMAN: My apologies, excuse me. I just wanted to make sure, Mr. Mathews thought that you had mentioned Universal Products over there and might have confused it with his Universal Products.

MR. MATHEWS: I understand that. I meant Crispin instead of Universal Products.

MR. GURLEY: In case you didn't hear, Crispin addressed that issue in its questionnaire so we'd prefer to leave it with that.

MR. DEYMAN: I understand that the foreign producers' questionnaires have been received at least from all those sitting at this table. To the extent, for some of the countries involved, though, there are

other producers that are not represented by you. If you can in your post-conference brief give us some indication of what the aggregate foreign industry is for the countries that you represent it would be helpful.

MR. CAMERON: Mr. Deyman, we'll be glad to do that. We'll also pass our request on to the Indians. I will say with respect to the Koreans, though, that I do believe that you have 100 percent. And if I'm wrong I'll find out and get the rest of it, but I believe you got 100 percent.

MR. LEVIN: And just for the record, the two foreign producers that we represent and are represented by the importers here accounts for all of the Mexican imports.

MR. STOKES: Chris Stokes on behalf of Brazil. I don't think I'll need to address this in my post-hearing brief. If you look at that footnote on page five of the foreign producers questionnaire where you ask what percent of the production and exports, we've answered that and that will answer your question directly.

MR. SUN: In regard to Thailand, we pretty much represent 99 percent of all exported in the last three years. There's only been one lot of I think 50

tons that was exported by another producer.

MR. DEYMAN: Thank you.

You indicated that the subject imports are concentrated in the post-tensioning segment of the market and that the consumption in that segment of the market has increased and you provided data showing that. If consumption has increased, why have prices in that segment of the market decreased? Or actually, have prices decreased? Because all we have are unit values currently.

MR. REILLY: We don't have prices that are specific to that market segment, but you can assume that nearly 100 percent of the imports are going into that segment so the pricing product information you're getting from imports are by and large for the segment, for that particular segment.

As to why prices are declining, because consumption in that segment is increasing. I think that's an issue for analysis that's currently ongoing and it's an issue we'd prefer to address in our post-conference brief.

MR. CAMERON: Mr. Deyman, one of the things we are going to be looking at is trying to figure out what are the prices there going into the market because we believe that may have something to do with

it but we're still looking at that.

MR. DEYMAN: But clearly the unit values of the imports are decreasing, at least between 2000 and 2002 so it would be helpful to know why that might be if the segment to which you're selling is the segment that is increasing consumption to a substantial degree.

MR. REILLY: That's correct. It is a central question, an interesting question, and it's one which we will address in detail in our post-conference brief.

MR. DEYMAN: Finally, why is it that the domestic industry, according to what you have been saying, is a much smaller participant in the post-tension market? Other than Buy America, leaving that out. Is this historical, that they have never tried to sell to that part of the market?

MR. DICKERSON: We think that, of course one reason is that it's a protected market, a more secure market. Our guess is from information they're giving that they're getting a lot higher price there. Apparently in the past they were satisfied with that because they built factories and made financial plans and borrowed money on those basis, and relegated the other market which is highly competitive, and as you

know, competition's a lot of trouble and produces its own set of uncertainties, and they decided I suppose just to design their plan on that market and they were satisfied with it, and maybe they made too much of an estimate of it.

They also decided to get into the covering business which would directly compete with that group of people that we sell to. I'm sure that didn't make anybody happy in that market.

Also traditionally they've gone in and out of the other market, the competitive market, and just used it for excess capacity. They would leave the producers of coded strand and those people are very loyal to the traditional supplier. It's a matter of their choice I suppose. That's about all we know.

MR. CAMERON: Mr. Deyman, just one thought on that. Obviously we believe that the data you are going to get will confirm that they are more concentrated in the pre-cast rather than in the post-tension end of the market. We would suggest there are a couple of factors that would at least contribute to that. The first is that as we've all testified here with the singular exception of the Mexican producer, the imports that are participating in the post-tension side of the market go through another level of trade.

That level of trade being the extruders who are covering the product. You've heard testimony this morning from the domestic industry that while they had the machinery and they decided that for whatever reason this wasn't very profitable and they didn't want to keep their investment in that machinery, and therefore, in order to participate in the post-tension segment of the market they also would have to be going through, they're saying subcontractors, but essentially they're going through the converters also.

If you then add that on and layer that on to two factors, one being the Buy America in which case they can take care of the post-tensioning converters because that's going to be factored into your Buy America price and they don't have to worry about competition from imports there, so that's okay whether it's in pre or post.

But secondly, when you're in the pre-cast market if the pre-cast market is in fact a lower percentage of the overall cost of construction and because it's a lower percentage of the overall cost it therefore is able to demand a higher price per ton or per thousand linear feet, then you start to get into the economics of well look, I produce PC strand. Do I want to try to promote the pre-cast end of the market,

or do I want to essentially compete with myself and drive both equally into both the post-tension which ultimately is an application issue and is going to possibly undercut my own position in a higher volume, higher price, higher profit pre-cast market?

So this again, we're not psychic readers, we don't know what the basis is. But we would suggest to you that the economics that we have suggested to you and what we know of the industry would indicate that would be a logical business decision and why you would have more of an emphasis on the hither profit end of the market and you would participate to a more limited extent in the post-tension end of the market. Thank you.

MR. GURLEY: If I can make a comment. This goes back to Mr. Lenchitz's question.

Strand, logistics costs in strand, is the good portion of the cost of the strands. In many cases if you have a project say in Arizona there's only one manufacturer that would be the closest to ship there. If you had to ship from Florida to let's say Arizona, that cost could come up to be roughly ten percent of the whole cost of that truckload.

So because they have geographical advantages, that's why there's higher pricing when

there's only one supplier that can supply effectively.

MR. REILLY: Mr. Deyman, I'm sorry, John Reilly.

I just wanted to add one thing and maybe it's just sort of a simplification. It's more profitable to be in the pre-stressed concrete sector. It's much larger than the post-tensioning sector and prices are higher. So the motivation is to stay at home where you're making more money and I think that's the principle reason why the domestic industry hasn't been aggressive in attempting to get into the post-tensioning market, because they were profitable and satisfied in the market they knew.

MR. SUN: If I can make another comment. If you look at the figures that he presented, in 1997 those figures in the post-tension market were a satisfactory level. Since post-tension competes with rebar and there is more emphasis in building residential ground on slab with post-tensioning equipment because of earthquake resistance and what not, that amount has grown quite significantly in the last five years.

Traditionally it was a small market. There wasn't that much emphasis in it but now it has grown to be a larger size market and that may be the reason

why they're emphasizing it in now.

MR. DEYMAN: With regard to the post-tensioning market, the Petitioners have given us six or seven pages of lost sales and lost revenues allegations. It's very small print and with a lot of companies listed there. And although I'm not familiar with the purchasers in this industry, it appears to me that at least some of those if not many of those companies are indeed in the post-tensioning segment of the market if there is such a segment, which apparently there is.

You mentioned, Mr. Stokes, about looking at customers from both sides. A given customer in this market, would a given customer be pretty much only in the pre-cast or in the post-tensioning segment? If you say Customer X, which segment are you in? They would say oh definitely I'm in pre-cast or I'm in post-tensioning? Is that -- Or are many companies in both?

MR. STOKES: I tried to become a quick study in this industry and that's my working hypothesis right now. I think maybe the Crispin witness could talk about that, but that has been the hypothesis that we've tested and so far it's proven out that on your customer list you're going to have people that are either pre-tension or post-tension. It's our

impression that not many of them go both ways.

MR. MATHEWS: I would like to add that that is correct. I don't know of any that do both.

MR. DICKERSON: The same in our case. They're easily identified and I can't recall one that does them both.

MR. SUN: In our experience they are separate. The reason possibly is because post-tensioning you can set up a shop with like maybe basically a garage, versus a pre-cast you need maybe five acres land space, enough to be able to pour concrete to make the form.

MR. DEYMAN: Then it may be helpful when we look at the lost sales and lost revenues allegations to also look at which segment of the market those companies are indeed in.

All right. I have no further questions. Thank you very much.

MR. CARPENTER: Just a couple of questions.

Mr. Cameron, you've already offered to provide this information, but just to clarify it, I will ask both the Petitioners and Respondents to provide, well, the petitioning producers and the importers represented here. Both the quantity of your U.S. shipments to be pre-cast versus the post-tension

markets for '99, 2000, and 2001. And also an estimate of the Buy American presence in each of those two markets for each of the three years.

MR. CARPENTER: Sorry, thank you. It's 2000, 2001, and 2002. (Laughter)

Secondly, I just wanted to explore the Buy American issue a little bit further. We've heard a number of estimates today of the Buy American presence in different market segments and I've heard terms like buy American provisions, Buy American requirements, Buy American preferences, Buy American restrictions, and maybe some others.

In other cases that we've had where this has been a big issue a lot of times we find it difficult to really quantify the size of the Buy American market, and I think part of the problem is that while I agree we should be looking at federal, state, local, and even private companies that have a Buy American presence, in some cases, you have very restrictive, absolute requirements and in other cases it's just a preference. And in some cases the purchaser will accept imports if certain conditions are met. For example, if there's difficulty in getting domestic product or if the imported price is low enough compared to the domestic price.

I guess what I'd like to ask the importers here is if you've ever attempted to sell into these public works markets that are generally considered, appear to be generally considered Buy American markets. Have you made any attempts to sell into those markets? And what kind of a response have you gotten?

MR. GURLEY: We will do that in our post-conference brief. You mentioned that you've had trouble in the past. I think Petitioners are a little bit shy on this issue and the reason you've had trouble is because they're not trying to bring this to your attention. Here they went to the extraordinary measure of not mentioning it at all.

MR. CARPENTER: One thing, too, just to clarify in my request as far as the estimate of the size of the Buy American market segments, if you could indicate what that estimate is based on.

In other words, on one extreme are these hard and fast requirements? Or do these also include preferences that maybe are not very restrictive at all?

MR. CAMERON: We do not try to sell into those projects. Our customers do. We have in the past tried to bid on those projects but we didn't win.

MR. GURLEY: It's the same phenomenon with Crispin. We're not selling directly to the projects, nor could we.

MR. CARPENTER: Okay. If you want to provide any further information in your brief and any details, we'd appreciate that.

Mr. Reilly, if I can address this to you.

There were arguments about attenuated competition in the pre- and post-tension market segments and further attenuated competition driven by the Buy American provisions.

I guess, and in fact I think you made a comment just a few minutes earlier about how prices tend to be higher in the pre-cast market and that's a larger market and Petitioners aren't that interested in going into the post-tension, they like to stay at home where the prices are better.

What I'm getting to is this morning the Petitioners' economist provided a chart showing financial results for the U.S. producers which shows a decrease in operating income from seven percent in 2000 to a negative three percent in 2002. Given the arguments of attenuated competition I just wonder if you had any theories now or that you'd be willing to offer in your post-conference brief about what might

be causing the problems that the domestic industry is experiencing.

MR. REILLY: I addressed some of these in my direct testimony but the domestic producers are concentrated in the pre-cast market segment as we've defined it. The data I showed indicated that that market has become rather weak. The data from the Pre-Cast Concrete Institute shows that there was a significant decline in consumption in that market during the 2000-2001 period. I also presented some information on activity in various construction markets which suggests that that weakness continues.

Given that there's been a significant decline in demand in that market and that demand for construction activity is relatively inelastic to price in the short run, one would explain the declining prices in that market segment as a result of reduced demand.

Now as far as the price differential between the two markets is concerned, attenuated competition may have some bearing on it, Buy America requirements, but even excluding attenuated competition, there are some valid reasons why in the normal course of business prices in that market should be relatively higher than in the post-tensioning market, and I'll

repeat them.

Number one, in the pre-casting market, that market consists of a large number of relatively small buyers and the order sizes, individual orders sizes are relatively small.

In the post-tensioning market the order sizes are much larger so it costs less to sell into the post-tensioning market, therefore that should be reflected in the prices in that market. I think that's an important consideration.

In addition, competition in that segment, in the pre-casting segment, is attenuated by logistics, and that is the importers are not set up to efficiently serve a customer base that's widely distributed in orders in small quantities. It's something the domestic producers can do but the importers are really not set up to do. They can't do it efficiently. So that logistical barrier tends to attenuate competition, quite apart from the Buy America provisions.

MR. CARPENTER: Thanks. That's very helpful.

If you have any further thoughts in your post-conference brief I'd appreciate them.

MR. SUN: If it's okay if I make a comment.

MR. CARPENTER: Sure.

MR. SUN: This industry is actually a pretty small industry. We're talking about, in general terms, maybe a market size of 400,000 tons. If you take what the Petitioners have argued, and I don't agree with it, but that prices have dropped let's say $30 a ton, you're talking about $12 million for the whole country. So I don't think that you can base stuff on that as the reason why they've lost X amount of money.

MR. CARPENTER: Thank you.

MR. REES: A couple of really quick questions in the nature of mop-up.

Mr. Mathews, you had testified about certain substitute products and I just want to make sure I understood the testimony. You weren't testifying that they're substitute products for PC strand. You were testifying about other techniques used for increasing the tensile strength of concrete. Do I fairly characterize it? Perhaps I don't.

MR. MATHEWS: In fact pre-stressing bars are competitive with pre-stressing strand.

MR. REES: So in other words there are substitute products for PC strand.

MR. MATHEWS: Their applications are limited by physical characteristics, but there are.

MR. REES: I guess that begs the question. The applications are limited by --

MR. MATHEWS: Can I say that they're not universally substitutable, but in certain cases they are. It could be at the design stage or at the implemental stage.

MR. REES: The Commission found I think in the 1999 sunset that there were no substitute products, and I guess you're saying there may be this limited category.

MR. MATHEWS: Limited, yes sir.

MR. REES: Okay. And what percentage of the market might that be, that limited category?

MR. MATHEWS: Less than five percent.

MR. REES: Thank you.

A last point. I may have omitted in that litany of topics negligibility. I haven't heard any testimony about negligibility which I perhaps --

MR. CAMERON: We'd be glad to address it. I can say for the record that Korea is not claiming negligibility in this case.

MR. REES: That's all I have.

MR. CARPENTER: I want to thank the panel again for your very thorough responses to our questions. We'll now move to the closing statements.

Each side has ten minutes to make a closing statement.

Mr. Rosenthal, would you like about five minutes to organize your thoughts?

MR. ROSENTHAL: Yes, thank you.

MR. CARPENTER: We'll take five minutes.

(Whereupon, a brief recess was taken)

MR. CARPENTER: Mr. Rosenthal, please proceed.

MR. ROSENTHAL: If you don't mind, I'll wait to start the time until Mr. Harris leaves my side, as much as he'd like to be here.

(Laughter)

We went through two hours of testimony today, watching the slide by the Respondents about their estimates of the Buy America market only to find out that two hours into their testimony that they don't have any statistics and they essentially made up these numbers, the 60 percent number and the 20 percent number. We will give you the actual statistics in our post-hearing brief as requested. I assure you that the Respondents are going to be sorely disappointed about this and a lot of their arguments about the segmented nature of the industry or the so-called pre-cast segment are going to go out the window when you see the actual numbers. I won't give those

now. I want to confirm as best I can the definition of Buy America as Mr. Carpenter has requested because we've asked for this information from our clients. The numbers we got, as I said, are much lower than the estimates or the made-up figures provided by the Respondents suggest.

Mr. Cameron's suggestion that the ITC's price description in its questionnaire is flawed because it doesn't identify the end-use application of the product has absolutely no merit. It's not consistent with the ITC's normal practice. Whereas here the product being sold by the importers and the U.S. producers is identical, the prices are properly compared without regard to the ultimate end use of the product. Mr. Cameron's requested delineation of prices is merely an effort to avoid the evidence of underselling of the product.

We spent a lot of time getting confused about the pre-cast and the post-tensioning customers. We won't dignify this by calling them markets and we don't necessarily agree with this attempt to segment the market the way the Respondents have. So if I slip into calling it a market because I've heard this for the last two hours, please forgive me. We don't agree with their characterization.

But let's be clear about a few things that even the Respondents have acknowledged. Take a look at the document they gave you from the Post-Tensioning Institute, summary of tonnage as reported for the year 2001. They're looking at the 270K half inch diameter strand, exactly what goes into the pre-cast market. That's point number one.

Point number two is, what you heard and actually Mr. Rees extracted from them an admission that the importers are bringing in exactly the same uncovered strand, selling it to exactly the same customers that the domestic producers are selling their uncovered strand. And with respect to sales to the post-tensioning customers. Exactly the same competition is taking place there with exactly the same product.

All this confusion about greasing and coding and you have to have that for post-tensioning A, is wrong because you don't have to have that for all post-tensioning products. B, they're selling to exactly the same folks. It's not as if the importers are doing anything different with their product than the domestic industry is.

Another point on this post-tensioning claim. Mr. Cameron acknowledges that the imports participate

in the pre-cast market, and I put that in quotes, and that the domestic producers participate in the post-tensioning market, if you will. There is competition in both of these so-called segments or for both these groups of customers.

What is that competition all about? It's about price.

If you heard the testimony of Mr. Dickerson, he made it very very clear that the way you extract a sale in the post-tensioning market where he is most active is by lowering your price. Don't rely on me, go back and when you see the transcript you'll see that's exactly what he said. And let's face it, this is all about price.

Mr. Cameron, when asked about how much -- He's making an argument about how much is pre-cast versus post-tension product goes into the residential market, it shows he misapprehends the nature of the product and the market. As I said, the product is identical that goes into pre-cast and post-tension and residential. It's exactly the same. Nothing else is different about the product.

What the customer does with the product may differ, but the products sold by the producers and the foreign producers is identical.

The domestic producers sell to the post-tension market.

Mr. Deyman noted all these lost sales allegations. Quite a few of those lost sale and lost revenue allegations have to do with attempts by the domestic industry of sales to the post-tension market.

What is particularly galling to some of our clients and particularly Sumiden, is their plant that we talked about in Victorville that was built and closed during the period of investigation was built primarily to service the post-tensioning market. They spent $10 million to build that plant and again, it was to service the post-tension market and it had to close. They participated heavily in that market and interestingly enough, Sumiden was active as a member for the last 20 years of the Post-Tension Institute. And by the way, and nothing disparaging about that institute, but their data has been historically recognized as unreliable.

But I will tell you this, at least with respect to the Post-Tensioning Institute, Sumiden and the other domestic producers that you see at this table helped write their product specifications.

The notion that the Respondents have put forward and repeated throughout this morning and

afternoon that the U.S. industry doesn't want to sell to, doesn't in fact sell to the post-tensioning customers is totally wrong. They have, they will, and they'd like to sell more to them. Maybe the U.S. users don't have as much of those customers as they'd like but the reason is because of price and the lost sales and lost revenue allegations will provide some support for that, but we'll provide you additional support too.

Part of the problem is that imports, as they perceive that market, if you will, or that segment, they view this as Mr. Dickerson said as a free market where competition is key, meaning prices are low. They've acknowledged pricing is low in that market and that is what drives sales in that market.

By the way, this transcript is going to be a goldmine. All the acknowledgements of price competition as being important, even though they didn't want to say it, they couldn't help themselves. They had to admit that all these other arguments about attenuated competition go out the window. What matters in the post-tensioning market, what matters in the pre-cast market is price.

There was some confusion earlier about uncovered versus covered strand imports. I think it

was clarified, I'd love to make sure of this, but even though one of Mr. Harris' clients purports to import nothing but covered strand, in fact the majority of imports from Mexico, I think two-thirds if I'm not mistaken, are uncovered strand. I'd like to have that clarified.

I want to turn briefly to Mr. Stokes' arguments concerning wire rod and some alleged inconsistency between PC strand producers' position in that case and this.

First of all the opposition in the wire rod case came not from PC strand producers per se but from wire producers, and while some of them also produce PC strand you have to understand that discussions of demand in various wire markets is not the same. The PC strand market demands are different from demand in other markets so please don't be confused by that.

Secondly, you'll have in your own hands the data on what the costs are for the raw materials. What wire rod inputs were, et cetera. What you heard testified to today is that overall the cost for these domestic PC strand producers have stayed relatively stable. And that despite the concerns about wire rod costs, and actually what Mr. Stokes was saying is that the reason why some wire producers were complaining

about the cases was that they were afraid that they'd have to pay more for wire rod. They explained why they went off-shore to import to keep their costs down.

What you will see overall over this period of investigation is relatively stable costs for the PC strand industry.

The suggestion implicit in Mr. Stokes' argument here is that because the members of the wire industry did not want to have import restraints put on their inputs they ought not to be entitled to seek relief from unfair trade practices by their competitors I think is, let's just say one that the Commission has never really entertained seriously.

I will tell you going back to the issue of the post-tensioning case, all of the U.S. producers sell and attempt to sell in the post-tensioning subsegment or to customers, if they had the monopoly or oligopoly that was described by Mr. Dickerson in the pre-cast market I suggest that you wouldn't see the sorts of profitability that Mr. Deyman pointed out, and it was in Ms. Beck's exhibit too. I'm sorry, Mr. Carpenter, you might have mentioned it as well.

The fact of the matter is there is no such thing as an oligopoly. There is intense competition

throughout the marketplace and if these are oligopolous they're not doing very well at their attempts to control the market.

The fact of the matter is the price for all of the customers, all the segments, has been going down and that price decline has been driven by imports over the years.

MR. CARPENTER: Mr. Rosenthal, if you could wrap up in the next minute.

MR. ROSENTHAL: I will wrap up right now and say that the evidence that you have before you, that you will receive in the coming days and weeks will demonstrate conclusively that this is an industry that has been materially injured by imports.

Thank you.

MR. CARPENTER: Thank you.

Mr. Cameron, Mr. Stokes, Mr. Reilly?

MR. CAMERON: -- First, I guess, I'll lead off. We'd like to thank the staff for their patience here. You understand our case, so I'd like to hit briefly some of the points that were made by Mr. Rosensthal in his rebuttal in March.

First, he mentioned the fact that we "made-up" the figure run by Buy America. Fair enough. I suppose that we can characterize it like that. We

estimated based upon the data that you happen to posttension the institute between 15 and 20 percent Buy America for post-tensioning use. Well, if you take Bridges and if you take EarthWorks for 2000, that's 22 percent of the U.S of the market for post-tensioning during that time. The 60 percent was of course an estimate based upon discussions with three importers and others that we talked to by telephone.

I will admit that it is no substitute for actual data but then again, I think that our ability or at least our effort to try to provide a good faith estimate of the size of the Buy America market was a heck of a lot stronger than the absence of any mention of the term Buy America, Buy American, state, local, federal or anything else in the petition itself or frankly, in the direct testimony this morning.

So I'm glad and happy that the Petitioners are actually going to give us some data to work with and I do look forward to looking at it since I haven't seen any data put on the record at this point and we're already finished with the hearing.

Secondly, price description. No. He's suggesting that our suggestion of price description is flawed. Frankly, what we're suggesting to this Commission is nothing more than that the prices should

be compared, we should be comparing apples to apples.

There are differences in the markets, the post-tension market and the pre-tension market are clearly very different and he can talk all he would like about it's the same product. I would repeat, if you really believe that, tell them to take the pre-cast strand, stick it in a pre-cast application into a post-tension concrete and see whether it works. Try and take that pre-cast, unsleeved, and then stretch it and do the tension. I'd be glad to see it. Frankly, I think there's a problem there.

This is clearly a market delineation and it's clearly something that's important and it's something that ought to be looked at.

With respect to whether or not we acknowledge that both imports and domestics compete in both segments, I believe our testimony was pretty clear on this matter. We've never suggested that there aren't points of competition. What we have suggested and this is what is important for the Commission. If one assumes that the size of the market and the participation in those two markets are the same, or relatively the same. Let's say there's no great variation. Then yeah, I guess you could then say it doesn't really make a difference. But if, and

of course we don't have the data because the domestic industry never provided the data, nor did they provide the basis for you to collect the data until today, but if it is true that A, the size of those two markets are not proportional; and B, that the participation in those two markets is very different; and C, that the dynamics that are occurring in those two markets are different, then yes it is very relevant exactly what is happening in one market segment versus the other, and that is exactly what attenuated competition is and that's exactly what this Commission investigates all the time with respect to what are the conditions of competition in the market. Nothing could be more basic to this Commission and the way they do their job.

With respect to the comment that was made with respect to Sumiden and the $10 million investment. It was interesting, we didn't hear either in the direct testimony nor in the rebuttal any remarks made in response to what the witness from the Thai importer had to say about the fact that Sumiden had a big problem, and Sumiden's problem had to do with the California electricity problem and how that was going to work.

So are imports the total explanation to

that? I think not. But we will look at that. Otherwise we would like to thank the Commission for actually looking and taking seriously the issues that we have raised.

We don't know what all that data is going to say. We would like to see the data and we would be glad then to comment on the data and work with that and we appreciate the fact that you've taken the time to listen to what we had to say and to take the matter seriously.

I think that John and Chris have a couple of remarks.

MR. REILLY: I'll be briefer.

The domestic industry operates almost entirely in the pre-cast segment. The vast majority of its sales go to pre-casters. The import share in that segment is insignificant. We think it's maybe a percentage point or two. The domestic industry has 95, 97, 98 percent, take a pick, of that particular market.

The imports dominate in the post-tensioning segment and that's been a traditional relationship.

The domestic industry is losing money in 2002. Their profits went down in 2001. They fell into a loss in 2002. That means that their loss has to

come from what they're selling into the pre-cast segment. And they're essentially competing with themselves in that segment because the pre-casters represent a distinct market, a distinct group of customers, and there's no overlap between that customer group and the post-tensioners. None at all.

There's also a situation in which the importers are not well set up to serve that market. That's why they haven't attempted to. Partly because of Buy American, but partly because logistically the importers are not set up to serve a disbursed market consisting of a large number of customers that take relatively low volume orders.

The conclusion one can draw from that is simple. That the losses the domestic industry are experiencing is the result of domestic competition in a market where demand has declined.

I'll now turn it over to Chris.

MR. STOKES: Consistent with the theme about things they've said in previous investigations and now, they raised the point, the shining example of one of their problems is the Sumiden factory, and it didn't occur to me until today, but they told us they'd built that factory, I think they said in 1999 which is interesting because they were here in front

of you for a sunset review right before then, and this is from, I think Mr. Rosenthal's law firm because at the bottom it has a footer. You have this in your files. It's an exhibit from their PC strand brief in the sunset case. The same thing they're saying today. The sky was falling and they saw operating results plummeting the years right before Sumiden built this $10 million plant. It doesn't make sense.

In the sunset case they said they were vulnerable because profits were falling. I bet you they said the same thing in the Section 201 case a few years ago. Now they're saying the same thing. There are other things that are affecting their profitability other than the imports because the imports are playing in a different segment.

Thank you.

MR. CAMERON: Mr. Carpenter, I just want to add one more thing.

Petitioners, Mr. Rosenthal said, repeated basically the testimony this morning saying that it's all about price. The whole issue about market segmentation, the whole issue about Buy America is it's not all about price. There are many other factors going on and that is the reason that we appreciate your collecting the data.

MR. REILLY: One factual matter. The Petitioners seem to have continuing trouble with numbers. Actually the imports from Mexico are approximately two-thirds covered strand and one-third uncovered strand. The imports in 3712103010 which is covered are 15,534 metric tons for 2002 as a whole; imports in 7312103012 which is uncovered strand, are 8,960 metric tons for 2000 as a whole.

MR. CARPENTER: Thank you gentlemen, and thanks to everyone for your excellent testimony and patience today.

The deadline for both the submission of corrections to the transcript and for briefs in the investigation is Wednesday, February 26th. If briefs contain business proprietary information, a non-proprietary version is due on February 27th. The Commission has scheduled its vote on the investigations for March 14th at 11:00 a.m. and will report its determinations to the Secretary of Commerce on March 17th. Commissioners' opinions will be transmitted to Commerce a week later on March 24th.

This conference is adjourned.

(Whereupon, at 2:25 p.m. the conference was adjourned.)

//

CERTIFICATION OF TRANSCRIPTION

TITLE: Prestressed Concrete Wire Strand

INVESTIGATION NO.: 701-TA-432 & 731-TA-1024-1028

HEARING DATE: February 21, 2003

LOCATION: Washington, D.C

NATURE OF HEARING: Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 2/21/03

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Contreica Dawson
Signature of Court Reporter